BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Appendix 2.1

Draft Supervisory Statement | SS[x]/15 - Guidelines for completing regulatory reports

April 2015

Contents

1 Introduction

1.1 This Supervisory Statement is addressed to all firms regulated by the Prudential Regulation Authority (PRA) who are required to submit supervisory reports under the Regulatory Reporting part of the Rulebook. Its purpose is to set out the PRA's expectations for how firms should complete the data items required under chapter 18 of the Regulatory Reporting part of the Rulebook.

1.2 This Supervisory Statement sets out the basis on which firms should complete data items required under the rules. This is intended to ensure a consistent reporting framework to enable the PRA to use the information collected efficiently and effectively. It allows the PRA to meet its objectives of promoting the safety and soundness for firms, as it enables the PRA to monitor firms' compliance with the requirement to maintain adequate financial resources, and with other requirements and standards under the regulatory system.

1.3 Chapter 2 sets out an example of how to interpret the reporting requirements where a firm carries out activities in more than one RAG.

1.4 The guidance on completing data items is set out in a series of appendices to this supervisory statement:

Appendix	**Data items**	**Description**
1	FSA001 to FSA055	Guidelines for completing data items FSA001 to FSA055
2	MLAR	Notes for completing Mortgage Lenders and Administrators Return
3a	CQ	Notes for completing the quarterly return for Credit Unions
3b	CY	Notes for completing the annual return for Credit Unions
4	Prudent Valuation	Guidelines for completing the prudent valuation return

1.5 Italicised text in the supervisory statement and the accompanying appendices has the meaning given in the glossary in the Regulatory Reporting part of the Rulebook, where the term is specific to reporting, or in the PRA Rulebook glossary.

2 Integrated Regulatory reporting

2.1 This chapter is designed to assist firms to understand how the reporting requirements set out in the chapter 2 of the Reporting part of the PRA rulebook operate and in particular rules 2.1 - 2.3.

2.2 E.g. A *UK bank* that is not a *FINREP firm* in *RAG* 1 that also carries on activities in *RAG* 5. Overlaying the *RAG* 1 reporting requirements with the requirements for a *RAG* 5 *firm* gives the following :

RAG 1 requirements (7.1)	*RAG* 5 requirements (11.2)
Annual report and accounts	Annual report and accounts
Annual report and accounts of the mixed-activity holding company	
Solvency statement	
Balance sheet	Balance Sheet
Income statement	Income statement
Market risk	
Market risk -supplementary	
Exposures between core UK group and non-core large exposures group	
Forecast data	
Solo consolidation data	
Interest rate gap report	
Sectoral information, including arrears and impairment	
IRB portfolio risk	
Daily Flows (if it is an *ILAS BIPRU firm*)	
Enhanced Mismatch Report (if it is an *ILAS BIPRU firm*)	

RAG 1 requirements (7.1)	*RAG* 5 requirements (11.2)
Liquidity Buffer Qualifying Securities (if it is an *ILAS BIPRU firm*)	
Funding Concentration (if it is an *ILAS BIPRU firm*)	
Pricing data (if it is an *ILAS BIPRU firm*)	
Retail and corporate funding (if it is an *ILAS BIPRU firm*)	
Currency Analysis (if it is an *ILAS BIPRU firm*)	
	Lending - Business flow and rates
	Residential Lending to individuals - New business profile
	Lending - Arrears analysis
	Mortgage administration - Business profile
	Mortgage Administration - Arrears analysis
	Analysis of loans to customers
	Provisions analysis
	Fees and levies
	Sale and Rent back

2.3 In this case, it is more obvious that the firm's reporting requirement in *RAG* 1 is not all the data items listed above. However, for the purposes of this exercise, it is the list of potential data items that is important. Thus comparing *RAG* 1 with *RAG* 5, the additional reporting requirements are:

a) Lending - Business flow and rates, where Section D *MLAR* is required;

b) Residential Lending to individuals - New business profile, where Section E MLAR is required;

c) Lending - Arrears analysis, where Section F MLAR is required;

d) Mortgage administration - Business profile, where Section G MLAR is required;

e) Mortgage Administration - Arrears analysis, where Section H MLAR is required

f) Analysis of loans to customers, where Section A3 of MLAR is required

g) Provisions analysis, where Section B2 of MLAR is required; and

h) Sale and Rent Back, where Section K of the MLAR is required

2.4 Fees and levies are not applicable as they are not required to be submitted under the lowest numbered *RAG* in this example. The reporting frequency and submission times for items (a) to (h) above are then derived from the rules applicable to *RAG* 5 *firms* in Rule 11.2 of the Reporting part.

Appendix 1 – Guidelines for completing data items FSA001 to FSA055

Contents

1 FSA001 – Balance sheet

This data item provides the PRA with a snapshot of the assets and liabilities of a firm, and details of items which although not on the balance sheet, nevertheless will have a potential impact on the financial health of the firm if they were to crystallise.

Valuation

Firms should follow their normal accounting practice wherever possible.

Consolidation

When reporting the balance sheet on a consolidation group basis, firms should where possible treat the consolidation group as a single entity (ie line-by-line) rather than on an aggregation basis. However, for the liabilities, the consolidation should only treat the group as a single entity (ie line-by-line).

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Assets

These are broken down between trading book assets, and those that are not trading book assets. Hence the items reported in column B will exclude the items reported in column A. If a firm cannot easily identify trading book assets, all assets should be reported in the non-trading book column.

Firms can determine whether they have trading book or not. However, it is expected that a firm that identifies trading book profits in FSA002 should be able to identify trading book assets.

1 Is this report on behalf of a UK consolidation group?

Firms should answer yes or no.

2 If yes, please list the firm reference numbers of the other firms in the UK consolidation group.

Firms should list the reference numbers of all the firms included within the *consolidation group* in Column B.

3 If no (to data element 1), is this a solo consolidated report?

Firms that have an individual consolidation waiver should answer yes here.

5 Cash and balances at central banks (excluding client money)

This is money physically held by the firm, and money deposited with central banks. Include any gold coin and bullion held.

Any client money held should be reported in data element 64A.

6 Credit items in the course of collection from banks

This data element is only relevant for *UK banks* and *building societies*.

This includes the total amount of cheques, etc. drawn on and in the course of collection on other firms, and debit items in transit between domestic offices of the reporting firm in each country. Report cheques that have been credited to customers' accounts but are held overnight before being presented or paid into the reporting firm's account with another firm.

7 Securities eligible for use in central bank operations

Enter here any holdings of treasury bills or other securities eligible for use at central banks.

8 Deposits with, and loans to, credit institutions

For *UK designated investment firms*, this will include any bank balances. Overdrawn accounts with banks should be reported in data element 23A.

It includes funds lent to or placed with customers/counterparties. This includes holdings of certificates of deposit (other than those issued by the firm) and negotiable deposits made on terms identical to those on which a certificate of deposit would have been issued, but for which it has been mutually convenient not to have issued a certificate (these items should be reported on a contract date basis).

It also includes funds lent to or placed with customers/counterparties including:

(a) assets leased out under finance lease agreements, but legally owned by the firm;

(b) loans made under conditional sale agreements and hire purchase contracts;

(c) acceptances discounted;

(d) advances purchased by or assigned to the firm under a transferable loan facility, purchase and resale agreements, factoring, or similar arrangement; and

(e) bills (including eligible bills), promissory notes and other negotiable paper owned (including à forfait paper), which should be reported according to the drawee.

9 Loans and advances to customers

This will mainly be relevant for *UK banks* and *building societies*. It covers all funds lent or placed with all counterparties other than credit institutions.

10 Debt securities

All long positions in debt securities, with the exception of gilts, should be reported in data element 10. If there is an overall short position, it should be reported in data element 30A.

Gilts should be reported in data element 7.

11 Equity shares

This comprises long holdings of securities. If there is an overall short position, it should be reported in data element 30A.

12 Investment in group undertakings

This will generally only apply for solo and unconsolidated reporting.

When completing this on a *consolidation group* basis, investments in subsidiary and associated companies should only include those companies that are excluded from the consolidation.

13 Reverse repurchase agreements and cash collateral on securities borrowed

Report here any reverse repos or stock borrowing.

14 Derivatives

Report here derivatives balances, on the same basis as they are reported on the face of the firm's balance sheet.

15 Goodwill

Report here the amount of any goodwill.

16 Other intangible assets

Include here intangible assets, other than goodwill.

17 Tangible fixed assets

Includes property, real estate, plant and equipment beneficially owned by the firm.

18 Prepayments and accrued income

Include here any sundry debtors arising in the course of the firm's business, including prepayments and accruals.

19 Other assets

Include any other assets not reported elsewhere on FSA001, items in suspense (in the case of *UK banks* and *building societies*), and any assets in respect of trading settlement accounts.

For *consolidation group* reports, any assets consolidated other than on a line-by-line basis may be reported here.

Includes exchange traded margins.

20 Total assets

The sum of the trading book total assets plus the non-trading book total assets will equal the sum of total liabilities and equity of the firm in data element 45A.

Liabilities

21A Own bank notes issued

This is only relevant for those banks that can issue bank notes. It is the figure of bank notes in circulation, ie the firm's issue of bank notes less any own notes held.

22A Items in the course of collection due to other banks

This is only likely to be relevant for *UK banks* and *building societies*.

It should include items in the course of transmission.

23A Deposits from banks and building societies, including overdrafts and loans from them

For *UK designated investment firms*, this element will contain any borrowings made from banks or building societies. Deposit-taking firms will include here deposits from other credit institutions.

24A Customer accounts

This is unlikely to be relevant for *UK designated investment firms*.

It comprises deposits from all customers other than credit institutions (that are reported in 23A). These should be broken down into retail (excluding e-money), e-money issued (this should be identified where firms have permission to issue e-money), corporate, intra-group and other in data elements 25A to 29A.

Firms should use their best endeavours to allocate customers, but should follow a consistent approach on each reporting date.

30A Trading liabilities

Include here any short positions in equities or debt securities.

31A Debt securities in issue, excluding covered bonds

This data element is unlikely to be relevant to *UK designated investment firms*.

Report all certificates of deposit issued by the firm, whether at fixed or floating rates, and still outstanding. Also report negotiable deposits taken on terms in all respects identical to those on which a certificate of deposit would have been issued, but for which it has been mutually convenient not to have issued certificates. If a firm holds certificates of deposits which it has itself issued, these should not be reported.

Also report promissory notes, bills and other negotiable paper issued (including commercial paper) by the reporting institution including bills drawn under an acceptance credit facility provided by another firm.

Include unsubordinated FRNs and other unsubordinated market instruments issued by the firm.

Covered bonds should be excluded and reported in data element 32A.

32A Covered bonds

This data element is unlikely to be relevant to *UK designated investment firms*.

33A Derivatives

Report here any derivative liabilities.

34A Liabilities in respect of sale and repurchase agreements and cash collateral received for securities lent

This entry applies to the cash liability on sale and repurchase and stock lending agreements. Where the firm reports assets reversed in on the balance sheet, the liability under such agreements should be reported here. Stock borrowing that is reported on balance sheet should also be included here.

35A Retirement benefit liabilities

Include liabilities arising in respect of pension scheme deficiencies.

36A Taxation liabilities

Deferred tax assets should be reported as an asset in data element 19A or 19B.

37A Provisions

Report general provisions / collective impairment that are held against possible or latent losses but where the losses have not as yet been identified, in line with the accounting practice adopted by the firm.

38A Subordinated liabilities

Include all subordinated debt issued by the firm. *Building societies* should include *PIBS* here.

39A Accruals and deferred income

Include here accruals and deferred income.

40A Other liabilities

Include net short positions in physical commodities where the PRA has agreed that commodity transactions may be included in the non-trading Book.

UK banks and *building societies* should include items in suspense here.

Includes exchange traded margins.

41A Subtotal

This is the total of data elements 21A, 22A, 23A and 30A to 40A.

42A Called up share capital, including partnership, LLP and sole trader capital

Exclude holdings by the firm of its own shares and also excess of drawings over profits for partnerships, LLPs or sole traders. *Building societies* should exclude *PIBS*, which should be reported in 38A.

43A Reserves

Firms may use figures compiled on the same basis as audited accounts.

44A Minority interests

Firms may use figures compiled on the same basis as audited accounts.

45A Total liabilities and shareholders' funds

This will equal the sum of trading book plus non-trading book assets (data elements 20A plus 20B), and also the sum of 41A to 44A.

Memorandum items

46-53 Derivatives

This provides further information on OTC derivatives. Firms should allocate the contracts to the bands as accurately as possible but, if some of the breakdowns are not available, they should report on the basis of the predominant type of derivative.

A – Notional contract amount

Firms should provide this amount, if available, or their best estimate of it from internal sources.

B – Assets

Firm should use the value placed on these contracts in the balance sheet, before accounting netting.

C – Liabilities

Firm should use the value placed on these contracts in the balance sheet, before accounting netting.

53B/53C Total after netting

This is the value of derivatives, for columns B and C, after accounting netting. 53B should equal 14A plus 14B, while 53C should equal 33A.

Other items

54A Direct credit substitutes

This is likely to be relevant only for *UK banks and building societies*.

Report here those direct credit substitutes which do not appear on the face of the balance sheet.

Direct credit substitutes relate to the financial requirements of a counterparty, where the risk of loss to the firm on the transaction is equivalent to a direct claim on the counterparty, ie the risk of loss depends on the creditworthiness of the counterparty. Report instruments such as:

(a) acceptances granted and risk participations in bankers' acceptances. Where a firm's own acceptances have been discounted by that institution the nominal value of the bills held should be deducted from the nominal amount of the bills issued under the facility and a corresponding on-balance sheet entry made:

(b) guarantees given on behalf of customers to stand behind the current obligations of the customer and to carry out these obligations should the customers fail to do so, eg a loan guarantee;

(c) guarantees of leasing operations;

(d) guarantees of a capital nature such as undertakings given to firms authorised under the Financial Services and Markets Act 2000 which are considered as capital;

(e) letters of credit not eligible for inclusion in 54A;

(f) standby letters of credit, or other irrevocable obligations, serving as financial guarantees where the firm has an irrevocable obligation to pay a third party beneficiary if the customer fails to repay an outstanding commitment, eg letters of credit supporting the issue of commercial paper, delivery of merchandise, or for stock lending (standby letters of credit which are related to non-financial transactions should be reported in 55A below);

(g) re-insurance or window letters of credit;

(h) acceptances drawn under letters of credit, or similar facilities where the acceptor does not have specific title to an identifiable underlying shipment of goods (eg sales of electricity); and

(i) confirmations of letters of credit.

55A Transaction-related contingents

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those transaction-related contingents which do not appear on the face of the balance sheet.

Transaction-related contingents relate to the on-going trading activities of a counterparty where the risk of loss to the firm depends on the likelihood of a future event which is independent of the creditworthiness of the counterparty. They are essentially guarantees which support particular non-financial obligations rather than supporting customers' general financial obligations. Report such items as:

(a) performance bonds, warranties and indemnities (indemnities given for lost share certificates or bills of lading and guarantees of the validity of papers rather than of payment under certain conditions should not be reported);

(b) bid or tender bonds;

(c) advance payment guarantees;

(d) VAT, customs and excise bonds. The amount recorded for such bonds should be the firm's maximum liability (normally twice the monthly amount being guaranteed); and

(e) standby letters of credit relating to a particular contract or to non-financial transactions (including arrangements backing, inter alia, subcontractors' and suppliers' performance. labour and materials, contracts, and construction bids).

56A Trade-related contingents

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those trade-related contingents which do not appear on the face of the balance sheet.

Report short-term, self liquidating trade-related items such as documentary letters of credit issued by the firm which are, or are to be, collateralised by the underlying shipment, ie where the credit provides for the firm to retain title to the underlying shipment.

Letters of credit issued by the firm without provision for the firm to retain title to the underlying shipment or where the title has passed from the firm should be reported under direct credit substitutes (54A). A memorandum of pledge and a trust receipt are not regarded as giving the firm title, and transactions secured by these should be shown under 54A.

Letters of credit issued on behalf of a counterparty back-to back with letters of credit of which the counterparty is a beneficiary ("back-to-back" letters) should be reported in full.

Letters of credit advised by the firm or for which the firm is acting as reimbursement agent should not be reported.

57A Asset sales with recourse

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those asset sales without recourse which do not appear on the face of the balance sheet.

Report put options written where the holder of the asset is entitled to put the asset back to the firm, eg if the credit quality deteriorates. Also report put options written by the firm attached to marketable instruments or other physical assets.

58A Forward asset purchases

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those forward asset purchases which do not appear on the face of the balance sheet.

Include commitments for loans and other on-balance sheet items with certain drawdown. Exclude foreign currency spot deposits with value dates one or two working days after trade date.

59A Forward forward deposits placed

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those forward forward deposits placed which do not appear on the face of the balance sheet.

This covers agreements between two parties whereby one will pay, and the other receive, an agreed rate of interest on a deposit to be placed by one with the other at some predetermined date in the future. Exclude foreign currency spot deposits with value dates one or two working days after trade date.

60A Uncalled partly-paid shares and securities

Only report if there is a specific date for the call on the unpaid part of the shares and securities held. If there is no specific date, the unpaid part should be treated as a long-term commitment (see 63A).

61A NIFs and RUFs

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those NIFs and RUFs which do not appear on the face of the balance sheet.

Note issuance facilities and revolving underwriting facilities should include the total amounts of the firm's underwriting obligations of any maturity. Where the facility has been drawn down by the borrower and the notes are held by anyone other than the firm, the underwriting obligation should continue to be reported at the full nominal amount.

The firm's own holding of the notes should be reported in data elements 8 and 9 and therefore the nominal amount of the notes held should be deducted from the nominal amount of the facility to be shown here.

62A Endorsements of bills

This is likely to be relevant only for *UK banks* and *building societies*.

Report here those endorsed bills which do not appear on the face of the balance sheet.

Endorsements of bills (including per aval endorsements) should be reported at the full nominal amount, less any amount for bills which the firm now holds but had previously endorsed.

63A Other commitments

This is likely to be relevant only for *UK banks* and *building societies*.

Report here other commitments which do not appear on the face of the balance sheet, and are not reported in items 54A to 62A above.

The firm is regarded by the PRA as having a commitment regardless of whether it is revocable or irrevocable, conditional or unconditional and, in particular whether or not it contains a “material adverse change” clause.

Include unused credit card lines.

Commitments for loans and other on-balance sheet items with certain drawdown should not be reported here but under 58A.

64A Client money held

Provide the total amount of client money held at the reporting date. Firms should be identifying this already to ensure compliance with *CASS*. For consolidation group reports, firms should only include client money to which *CASS* applies.

65A Number of UK retail customers

This is only applicable to *UK banks* and *building societies*.

This is intended to identify the number of UK retail customers. Firms should use their best estimate for this, which might even be based on the number of accounts. It can even be the firms most reasonable approximation, based on whatever information they can use. We recognise that this may lead to firms duplicating customers who have a number of different products or accounts and thus we are provided with the number of total customers, rather than different customers. We do not expect firms to develop systems to give precise numbers, although obviously we would prefer the figures to be as reliable as possible. (We have considered bandings, but that will not give the degree of precision we require.)

FSA001 – Balance sheet validations

Internal validations

Data elements are referenced by row then column.

Validation number	Data element		
1	20A	=	5A + 6A + 7A + 8A + 9A + 10A + 11A + 12A + 13A + 14A + 15A + 16A + 17A + 18A + 19A
2	20B	=	5B + 6B + 7B + 8B + 9B + 10B + 11B + 12B + 13B + 14B + 15B + 16B + 17B + 18B + 19B
3	24A	=	25A + 26A + 27A + 28A + 29A
4	41A	=	21A + 22A + 23A + 24A + 30A + 31A + 32A + 33A + 34A + 35A + 36A + 37A + 38A + 39A + 40A
5	45A	=	41A + 42A + 43A +44A
6	45A	=	20A + 20B
7	52A	=	46A + 47A + 48A + 49A + 50A + 51A
8	52B	=	46B + 47B + 48B + 49B + 50B + 51B
9	52C	=	46C + 47C + 48C + 49C + 50C + 51C
10	53B	=	14A + 14B
11	53C	=	33A

External validations

There are no external validations for this data item.

2 FSA002 – Income statement

This data item provides the PRA with information on the main sources of income and expenditure for a firm. It should be completed on a cumulative basis for the firm's current financial year up to the reporting date.

Valuation

Firms should follow their normal accounting practice wherever possible.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Consolidation

Firms reporting on a *consolidation group* basis can use the same accounting basis for consolidation as in their accounts, as long as the group on which it is based accords with the *consolidation group*.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Trading book

Data elements in column A relate only the trading book. Firms should identify their trading book profits separately from the non-trading book profits wherever possible.

Column B should contain the total (in this regard, it differs from the layout in FSA001).

1B Financial and operating income

This is the total of financial and operating income, which is broken down in more detail in elements 2B, 7B, 15B and 20B to 24B.

Where firms can allocate financial and operating income to the trading book, this should be reported in 1A. Firms that intend to include 'net interim trading book profit and loss' in element 61A of FSA003 should be able to identify the trading book portion separately here.

2B Interest income

Include both interest actually received and interest receivable which has accrued but has not yet been received. Amounts accrued should be based on the latest date to which these calculations were made; thus for an institution which accrues profits on a daily basis, accruals should include amounts up to and including the reporting date.

Elements 3B to 6B break this down in more detail, but only 4B and 6B are likely to be relevant for *UK designated investment firms*.

Firms should use their best endeavours to allocate interest income according to the categories shown, and should adopt a consistent approach on each reporting date.

3B Of which: Retail secured loans

This is unlikely to be relevant for *UK designated investment firms*.

This part of interest income comprises interest received or receivable from any secured lending to retail customers. Firms may use their best estimate to derive this figure, as long as the approach is applied consistently at each reporting date.

4B Of which: Retail unsecured loans (including bank deposits)

For *UK designated investment firms*, this will include interest paid by banks or *building societies* on deposits with them.

For deposit takers, this comprises interest received or receivable from retail customers other than on secured lending or card accounts. It includes overdrafts. Firms may use their best estimate to derive this figure, as long as the approach is applied consistently at each reporting date.

Any interest from credit or charge cards should be included in data element 5B.

5B Of which: Card accounts

This is unlikely to be relevant for *UK designated investment firms*.

This includes any interest received on charge cards accounts. Firms may use their best estimate to derive this figure, as long as the approach is applied consistently at each reporting date.

6B Of which: Other

This comprises all other interest received and receivable and will includes all interest receivable on bonds, floating rate notes (FRNs) and other debt instruments as well as interest receivable on repos / reverse repos.

Receipts from security lending / borrowing should only be included when cash collateral is involved – other income from security lending / borrowing should be classified as fees.

It also comprises any interest received not reported in items 3B to 5B.

Include here any interest received on swaps entered into for the purposes of hedging interest rate risk.

7B Fee and commission income

This covers all fee and commission income, and is broken down in more detail in elements 8B to 14B below. If a firm cannot allocate the income in a precise manner, it should allocate the income on a best endeavours basis, which should be consistently applied on each reporting date.

Firms should use their best endeavours to allocate fee and commission income according to the categories shown, and should adopt a consistent approach on each reporting date.

8B Of which: Gross commission and brokerage

Include commission and brokerage earned by the firm, before the deduction of commissions shared or paid to third parties (these commissions paid to others should be reported in 32B). It will include income from the provision of foreign exchange facilities.

9B Of which: Performance fees

This will include incentive fees received by the firm.

To avoid double counting, data input here should not include amounts input under data element 10B below. Data element 9B and data element 10B are mutually exclusive.

10B Of which: Investment management fees

Include all underwriting fees and commissions, and fees and commissions from valuations, management of investments and unit trusts and pension funds.

To avoid double counting, data input here should not include amounts input under data element 9B above. Data element 9B and data element 10B are mutually exclusive.

11B Of which: Investment advisory fees

Include all fees arising from investment advice.

12B Of which: Corporate finance

Include all income earned by the firm from corporate finance business.

13B Of which: UCITS management fees

This covers income earned through the management of UCITS.

14B Of which: Other fee and commission income

Report here any other fee and commission income not reported in data elements 8B to 13B.

15B Trading income (losses)

A net loss should be shown with a minus sign to indicate a negative figure.

This is further broken down in elements 16B to 19B.

Firms should use their best endeavours to allocate trading income (losses) according to the categories shown, and should adopt a consistent approach on each reporting date.

16B of which: Trading investments

This portion of 15B includes all profits or losses (including revaluation profits or losses) on investments held for dealing. This will generally exclude profits or losses arising from the sale of investments in subsidiary or associated companies, trade investments or the amortisation of premiums or discounts on the purchase of fixed maturity investments.

17B of which: Charges on UCITS sales / redemptions

This is that part of 15B (dealing profits/losses) arising from charges made to clients for UCITS sales or redemptions.

18B of which: Foreign exchange

This is unlikely to be relevant for *UK designated investment firms*.

This part of 15B includes revaluations of foreign exchange positions, but excludes fees and commissions relating to foreign exchange business (which should be included under data element 8B).

19B Other trading income (losses)

Report here any other trading income not reported in data elements 16B to 18B.

20B Gains (losses) arising from non-trading instruments

This element is unlikely to be relevant for *UK designated investment firms*.

Includes gains (losses) arising from non-trading instruments designated at initial recognition to be measured at fair value through profit and loss (FVTPL), commonly referred to as the 'fair value option'.

21B Realised gains (losses) on financial assets & liabilities (other than HFT and FVTPL)

This element is unlikely to be relevant for *UK designated investment firms*.

This should include gains (losses) on financial assets and liabilities (other than those held for trading ('HFT') or those measured at fair value through profit and loss ('FVTPL')).

22B Dividend income

This includes dividend income on all equity investments.

23B Other operating income

This is unlikely to be relevant for *UK designated investment firms*.

It includes property rentals and increases in respect of linked liabilities.

24B Gains (losses) on disposals of HFS non-current assets & discontinued operations

This is unlikely to be relevant for *UK designated investment firms*.

Includes gains (losses) on non-financial items which are 'held for sale' as defined in IFRS 5.

25B Financial & operating charges

This is the total of the firm's operating charges that are broken down in more detail in elements 26B, 32B and 33B.

Where firms can allocate financial and operating charges to the trading book, this should be reported in 25A.

26B Interest paid

This is broken down in further detail in 27B to 31B. Firms should use their best endeavours to allocate interest paid according to the categories shown, and should adopt a consistent approach on each reporting date.

For *UK designated investment firms*, this is likely to be limited to interest paid, or overdraft charges paid, to banks (also detailed in 27B) or on intra-group loans (detailed in 30B) or on other deposits (detailed in 31B).

Include both interest actually paid and interest payable which has accrued but has not yet been paid.

27B Of which: Bank and building society deposits

In the case of *UK designated investment firms*, this will include interest payments to banks for loans or overdrafts.

For deposit takers, this will includes all interest paid on balances placed by banks, building societies or other financial institutions.

28B Of which: Retail deposits

This will not be relevant for *UK designated investment firms*.

Deposit takers will include here all interest paid on balances placed by retail customers.

29B Of which: Corporate deposits

This will not be relevant for *UK designated investment firms*.

Deposit takers will include here all interest paid on balances placed by non-bank, non-connected corporate customers.

30B Of which: Intra-group deposits

This will only be relevant for *UK designated investment firms* that have borrowed money from other group companies.

Deposit takers will include all interest paid on balances placed by group companies.

31B Of which: On other items

This will only be relevant for *UK designated investment firms* if they have issued bonds, interest rate swaps for hedging purposes or commercial paper.

Deposit takers will include all interest paid on all other balances not reported in 27B to 30B. It includes interest payments on bonds and subordinated loans, certificates of deposits and commercial paper issued.

Include here any losses on interest rate swaps used for hedging purposes.

32B Fees and commissions expenses

Include commissions paid or shared with other firms, plus fees, brokerage and other charges paid in relation to the execution, registration or clearing of transactions. Commissions paid to staff should be reported under 35B.

33B Other operating expenses

Include here other expenses (that are not identified elsewhere) that arise in the course of undertaking the firm's activities. However, costs such as electricity and rent should be reported under 38B (general administrative expenses).

34B Other costs

This is the total of other costs and charges that are detailed in items 35B and 38B to 43B below.

Where firms can allocate other costs to the trading book, this should be reported in 34A.

35B Staff expenses

This is the total of the costs broken down in 36B and 37B.

It should exclude general staff benefits, such as subsidised restaurants, which should be included in general administrative expenses in 38B.

36B Of which: Staff costs (ie non-discretionary)

Include salary costs, employer's national insurance contributions and social security costs, the employer's contribution to any pension scheme, and benefits in kind. Also include here commissions paid to staff on business they have introduced.

37B Of which: Charges for discretionary staff costs

Include discretionary bonuses and profit/performance share and share option schemes. Any commissions paid to staff on business they did not introduce should be recorded here.

38B General administrative expenses

This includes rates, rent, insurance of building, lighting, heating, depreciation and maintenance costs. Also include marketing, communications, professional fees including auditor's remuneration and other general overheads of the business.

39B Depreciation and amortisation

This covers the depreciation of property, plant and equipment and includes amortisation of intangibles.

40B Impairment/provisions

This is the total cost of impairment charges and provisions made.

41B Other charges

This will include operating lease rentals.

42B Share of profit (losses) of associates

Firms reporting on a solo or unconsolidated basis should include the dividends from other group companies only.

43B Exceptional items

Include here any significant items which are separately disclosed in your accounts by virtue of their size or incidence to enable a full understanding of the group's financial performance. Transactions which may give rise to exceptional items may include gains or losses on disposal of investments, subsidiaries and early termination of debt instruments. Details relating to these amounts should be provided in data element 48A.

44B Profit (loss) before tax

This is the total financial and operating income (data element 1) less the financial and operating charges (25), and other costs (34). If the profit attributable to the trading book can be calculated, it should be reported in 44A.

45B Tax charge (income)

This comprises current tax charge (income) and deferred tax charge (income). Include any adjustments recognised in the period for current tax of prior periods. It may also include the amount of deferred tax charge (income) relating to the origination and reversal of temporary differences.

46B Net profit (loss)

This is the total profit (loss) after tax, before accounting for any minority interests.

Memorandum items

47B Dividends paid during year

Only those dividends paid in the period should be reported here.

48A Details of exceptional items

Please provide details of any amounts included in data item 43B.

FSA002 – Income statement validations

Internal validations

Data elements are referenced by row then column.

Validation number	Data element		
1	1B	=	2B + 7B + 15B + 20B + 21B + 22B + 23B +24B
1a	1A	≤	1B
2	2B	=	3B + 4B + 5B + 6B
3	7B	=	8B + 9B + 10B + 11B + 12B + 13B + 14B
4	15B	=	16B + 17B + 18B + 19B
5	25B	=	26B + 32B + 33B
6	25A	≤	25B
7	26B	=	27B + 28B + 29B + 30B + 31B
8	34B	=	35B + 38B + 39B + 40B + 41B + 42B + 43B
8a	34A	≤	34B
9	35B	=	36B + 37B
10			[deleted]
11	44A	=	1A – 25A – 34A
12	44B	=	1B – 25B – 34B
13	46B	=	44B – 45B

External validations

There are no external validations for this data item.

3 FSA005 – Market risk

This data item provides the PRA with information on Risks Not in VaR (RNIV) on a standardised basis.

Completion of data item

All cells not specifically referred to below should be left blank

62 Grand total PRR

Firms should input “0” in order for all validations to succeed

63 Add-ons

This comprises the add-ons under the RNIV framework.

64 Total Add-ons

The total of items 1 to n in 63

FSA005 – Market risk validations

Internal validations

Data elements are referenced by row then column.

53	64G	=	SUM (63B)

4 FSA006 – Market risk supplementary

This data item provides the PRA with VaR backtesting reports. It contains daily outturn data which is only reported to the PRAPRA quarterly in arrears.

Valuation

For the general policy on valuation, please see the relevant provisions of the *EU CRR*.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Daily outturn data

1A Closing P&L data

This is the daily figure

1B VaR confidence level

The number reported here will remain constant throughout the period,

1C Holding period (days)

The number reported here will remain constant throughout the period,

1D Business unit code

This will record the codes for the major business units, typically ones the firm uses itself, that has previously been agreed with the PRA. .

1E Currency

This identifies the VaR reporting currency. .

1F Value at Risk

This is the *One day VaR measure* Article 365 of the *EU CRR*.

1J Date on which VaR computed

This is the date when the VaR is computed

1K Last date VaR historic data updated

This is the last date on which this has been updated.

FSA006 – Market risk supplementary validations

Internal validations

There are no validations for this data item.

5 FSA011 – Building society liquidity

This data item is used to monitor the liquidity position of *building societies*

Valuation

For the general policy on valuation, please see the relevant provisions of the *EU CRR*.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kronor, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Definitions

Column A Values here should be reported on the same basis as they are reported in the balance sheet (FSA001), except they should include accrued interest for each item. It may include items which are not eligible for inclusion within the prudential liquidity calculation.

9A SDL at reporting date

This is calculated as the sum of share liabilities including interest accrued, plus deposits and debt securities including interest accrued. .

12A Building society holdings at reporting date

This is the total of liquid asset holdings with all other societies in total, and includes any undrawn committed facilities provided to societies. It covers securities and money market instruments issued by and deposits placed with any other building society.

Specialist data

This is the value of funding accounted for by those elements which are restricted (ie funding excluding shares held by individuals).

The purpose of 13A and 14A is to report the actual value of the QE of the statutorily defined percentages relating to the funding and lending nature limits.

13A Business assets not FSRP as % of business assets

This is the value of business assets that are not fully secured on residential property (FSRP) as a % of total business assets. It is monitored under Section 6 of the Building Societies Act 1986.

14A Deposits and loans as % of SDL

These are monitored under Section 7 of the Building Societies Act 1986.

15A Amount of offshore deposits

This is the amount of deposits taken by societies' undertakings doing deposit taking offshore (e.g. in the Channel Islands or Isle of Man), or other undertakings established in other countries primarily to take deposits.

16A Large shareholdings as % of SDL

This item relates to the aggregate balances on both share and deposit holdings (where a single holding in respect of an individual is the totality of accounts held by that individual), excluding accrued interest, which are each in excess of 0.25% of total SDL.

6 FSA014 – Forecast data

This data provides details of a firm's financial forecasts for the year following the reporting date, or an updated forecast at the interim stage. If a firm does not re-forecast (or update the forecast) at the interim stage, then the figures will be the same as previously reported.

The data elements 6A, 12A, 13A and 14A should be provided by all firms as a minimum.

The firm should complete the other data elements to the extent it has the data available. Forecasts should be made on a best endeavours basis, aiming where possible to match with specific data elements in other data items that are provided regularly. Firms should aim for consistency in approach when compiling these data.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

1A Net interest income

This item should be equivalent to data elements 2B minus 26B on data item FSA002 (Income statement).

2A Other income

This is equivalent to data elements 1B minus 2B on data item FSA002.

3A Expenditure

This is equivalent to data element 25B minus 26B, plus 34B on data item FSA002.

4A Impairment/provisions

This is equivalent to data element 40B on data item FSA002.

5A Total profit before tax

This is equivalent to data element 44B on data item FSA002.

6A Net profit (loss)

This data element should be completed by all firms.

This is equivalent to data element 46B on FSA002.

7A Cash and balances at central banks

This is equivalent to data element 5A plus 5B on data item FSA001 (Balance sheet).

8 Loans and advances to customers

This is equivalent to data elements 9A plus 9B on data item FSA001.

9 Investments

This is equivalent to data elements 10A plus 10B plus 11A plus 11B plus 13A plus 13B plus 14A plus 14B on data item FSA001.

10A Retail deposits

This is equivalent to data element 25A on data item FSA001.

11A Deposits by banks, including overdrafts

This is equivalent to data element 23A on data item FSA001.

12A Total assets/liabilities

This data element should be completed by all firms.

This is equivalent to data elements 20A plus 20B on data item FSA001.

13A Total capital after deductions

This data element should be completed by all firms.

This is equivalent to data element 15A on data item FSA003 (Capital adequacy).

14A Variable capital requirement at end of period

This data element should be completed by all firms.

This is equivalent to data element 70A on data item FSA003.

FSA014 – Forecast data validations

There are no validations for his data item.

7 FSA015 – Sectoral information, including arrears and impairment

This data item provides the PRAPRA with information on the credit quality of a *firm's* portfolio, enabling the PRA to assess potential threats to the firm's viability. It also provides information to be used at a macro level to monitor changes in the economic climate. This *data item* relates only to credit risk.

Completion of this data item is acceptable on a best endeavours basis. Allocation between sectors is adequate at portfolio level; accuracy to individual account level is not required.

Valuation

For the general policy on valuation, please see the relevant provisions in the *EU CRR*.

Currency

You should report in the currency of your annual audited accounts i.e. in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Definitions

Coverage

Only assets held in the banking book at amortised cost, including overdrafts, should be included in FSA015. Derivatives, trading book exposures and intragroup exposures should be excluded. In addition, as FSA015 relates mainly to loans and similar financial assets, other asset types likely to be excluded are those covered by FSA001, *data elements* 11-19, e.g. intangible assets, fixed assets and prepayments. Also, in general we would not expect trade debtors to be included unless the debts are treated as loans or advances in the statutory annual accounts.

All relevant assets should be included in columns A and H, even where the accounts have no associated arrears or impairments.

Column A: "All balances (customer) outstanding at period end"

This is the amount of total debt owed by the customer at the reporting date, and should comprise the total amount outstanding (after deducting any write-offs but without deduction for any provisions or impairments) in respect of:

(i) the principal of the debt (including any further advances made);

(ii) interest due on the debt (but only up to the reporting date), including any interest suspended; do not include interest accrued but not yet payable unless it would not be reasonably practicable for the *firm* to separately identify and exclude such accrued interest; and

(iii) any other sum which the borrower is obliged to pay the *firm* and which is due from the borrower, e.g. fees, fines, administration charges, default interest and insurance premiums.

In the case of (ii) above, where a *firm* at first includes accrued interest as it is not reasonably practicable not to do so but subsequently is able to do so, the PRA would expect to be notified of this change of approach under *Principle* 11 (Relation with regulators).

The information in respect of balances to be reported in this column should not be fair-valued but should report the contractual position (i.e. between the lender and borrower).

The treatment of loan assets that are being operated as part of a current account offset mortgage product (or similar products where *deposit* funding is offset against loan balances in arriving at a net interest cost on the account) will depend on the conditions pertaining to the product. The balance outstanding on such loans will need to be reported on the basis of the contractually defined balance according to the terms of the product. This might be the amount of loan excluding any offsetting funds, or it might be the net amount, depending upon the terms of the offset arrangement.

The appropriate rows of column A should be completed for all the categories to which the *firm* has an exposure even if there are no associated arrears.

It is not expected that these figures in this column will necessarily reconcile to any of the *firm's* published statutory data or on other *data items*, as the valuation basis is likely to differ.

Columns B-G, rows 1-11: "Balances of accounts in arrears /default by band"

The balance of the account in arrears should be reported within these columns, rather than the amount of the arrears. This should be reported after deducting write-offs but before deducting provisions.

Columns B to F are headed with the following:

Column B: 1.5 < 2.5%

Column C: 2.5 < 5%

Column D: 5.0 < 7.5%

Column E: 7.5 <10%

Column F: >=10%

"<" means less than, ">" means greater than and “>=” means an amount greater than or equal to.

For example where accounts are 2.5% in arrears this will go into column C which is headed for amounts from 2.5% to less than 5%.

The analysis is based on expressing the amount of arrears and/or the amount past due on each loan as a percentage of the balance outstanding on the loan (calculated in the same way as for column A) and then reporting the total balance of the account in the relevant arrears band. In cases where there is more than one loan to a debtor (or debtors) secured on a single property, these should be amalgamated, where possible, in reporting with balances allocated to the row representing the predominant part of the debt outstanding.

Arrears and amounts past due will arise through the borrower failing to service any element of his debt obligation to the *firm*, including capital, interest, or fees, fines, administrative charges, default interest or insurance premiums.

At the reporting date, for loan accounts the amount in arrears or past due is the difference between:

(i) the accumulated total amounts of (monthly or other periodic) payments due to be received from the borrower; and

(ii) the accumulated total amount of payments actually made by the borrower.

Only amounts which are contractually due at the reporting date should be included in the above. That is:

(i) include interest and amounts due for payments only up to the reporting date but not beyond, do not include interest accrued but not yet payable (unless this would not be reasonably practicable, see under Column A, paragraph (ii) above);

(ii) only include a proportion of any annual insurance premium if the firm permits such amounts to be paid in periodic instalments. However if the terms of the loan or the lender's practice are such as to permit insurance premiums to be added to the loan principal then do not treat such amounts as contractually due;

(iii) similarly, where 'any other sum' has been added to the loan, only include such proportions as are contractually due (e.g. if it is the practice in particular circumstances to add the sum/charge to the loan and require repayment over the residual term of the loan);

(iv) in assessing 'payments due' when a borrower has a flexible loan, it is important to apply the contractual terms of the loan: for example, payment holidays which satisfy the terms of the loan should not be treated as giving rise to an arrears position;

(v) do not however include 'Deeds Store' loans in the arrears figures (that is, loans where the debt is de minimis e.g. £100, but the borrower still has insurance premiums to pay and perhaps some instalments are overdue).

In the case of annual review schemes the 'payment due to be received' is that calculated under the scheme. This may well differ from the amount charged to the account but should not of itself give rise to any arrears, providing the borrower is making the level of payments advised by the *firm*. The same principles apply to deferred interest products – if the borrower is making the payments that are required under the loan arrangements then he is not in arrears, even though the debt outstanding is increasing.

Where a firm makes a temporary 'concession' to a borrower (i.e., an agreement with the borrower whereby monthly payments are either suspended or less than they would be on a fully commercial basis) for a period, the amounts included are those contractually due (and at commercial rates of interest). Hence the borrower will continue to be in arrears and the level of arrears will in fact continue to increase until such time as he is able fully to service the debt outstanding.

Where the terms of the loan do not require payment of interest (or capital) until a stated date or until redemption or until certain conditions are triggered, as for example in the case of certain building finance loans, then the loan is not in arrears until such time as contractual repayments are overdue.

The decision to 'capitalise' arrears (or treat as if capitalised) is a business decision between the *firm* and the borrower. By 'capitalisation' we mean a formal arrangement agreed with the borrower to add all or part of a borrower's arrears to the amount of outstanding principal (i.e. advance of principal including further advances less capital repayments received during the period of the loan) and then treating that amount of overall debt as the enlarged principal. This enlarged principal is then used as the basis for calculating future monthly payments over the remaining term of the loan. Where less than the full amount of arrears is capitalised (or indeed where none of the arrears is capitalised) then, providing there are arrangements made for the borrower to repay the non-capitalised arrears over a shorter period ranging for example from 3 to 18 months, this type of arrangement should also be regarded as an equivalent of 'capitalisation'.

For the purposes of consistency in reporting arrears cases the following reporting criteria should be used where a *firm* has capitalised the loan (or treated as if capitalised) and reset the monthly payment:

(i) such an arrears case should continue to be included as an arrears case until the loan has been 'fully performing' (see (ii) below) for a period of six consecutive months (any temporary increase in arrears during this qualifying period has the effect of requiring six consecutive months of full performance after such an event). Until that time the balance of the loan should be included in the table and be allocated to the arrears band applicable at each reporting date as if 'capitalisation' had not taken place;

(ii) for these purposes a loan is considered to be 'fully performing' only where the borrower has been meeting all obligations on the loan with regard to repayments of principal, interest (at a normal mortgage rate on the full balance outstanding, including as appropriate any relevant past arrears), any payment towards clearing past arrears as agreed with the *firm* and any default payments due levied in respect of previous missed repayments. That is, amounts may be either added to the principal of the loan or otherwise repaid over a shorter period than the residual term of the mortgage, as agreed between firm and borrower. But then this revised payment schedule should be fully maintained for a six month period before the arrears can qualify to be treated as capitalised for reporting purposes and hence removed from the arrears cases in this table.

In some cases there may be loans where the security has been taken and is in the process of being realised (a 'property in possession'). While this is happening it is likely the underlying loan continues to exist and may be accruing arrears. Therefore the loan balance should still be included within the relevant arrears band in columns B-F.

Where a 'capitalisation' case becomes fully performing but later the borrower defaults again, this subsequent default should be regarded as a new default and the amount of arrears should be the amount arising from this new default. That is, the previously capitalised arrears should not be reinstated as current arrears.

For **overdrafts,** the amount to be treated as in arrears or past due is:

(i) any amount borrowed and/or outstanding in excess of the overdraft limit for that account (whether explicitly agreed with the borrower or otherwise);

(ii) the whole amount of any balance outstanding (regardless of whether within the overdraft limit or not) where no credit has been received into the account in the previous 90 days; and

(iii) the whole amount of any balance outstanding (regardless of whether within the overdraft limit or not) where the firm has determined that a default has occurred and/or where an impairment or provision charge has been raised and/or where formal demand for repayment has been made.

All amounts to include interest and fees and/or other charges. Do not include interest accrued but not yet payable.

For **credit cards** (and equivalent revolving credit facilities) the amount to be treated as in arrears or past due is:

(i) any amount outstanding above the agreed card limit (as advised to the customer);

(ii) any amount of the minimum monthly payments due which has not been met by credits to the account (on a cumulative basis, where the latest credit is applied to extinguish the earliest minimum payment due);

(iii) the whole amount of any balance outstanding (regardless of whether within limit or not) where no credit has been received to the account in the previous 90 days; and

(iv) the whole amount of any balance outstanding (regardless of whether within limit or not) where the *firm* has determined that a default has occurred and/or where an impairment or provision charge has been raised) and/or where formal demand for repayment has been made.

All amounts to include interest and fees and other charges. Do not include interest accrued but not yet payable.

Column B rows 12-26

Include here the balance of all accounts where a counterparty has failed to make payments when they were contractually due.

Where a proportion of the balance is past due, this column should be populated with the total balance of the exposure for which a portion is past due. For example, for a loan of £100,000 where a payment of £5,000 is contractually past due, a value of £100,000 should be recorded in column B, not £5,000.

For overdrafts and other revolving credit facilities, the amount to be treated as in arrears and/or past due is:

(i) any amount borrowed and/or outstanding in excess of the overdraft limit for that account (whether explicitly agreed with the borrower or otherwise);

(ii) the whole amount of any balance outstanding (regardless of whether within limit or not) where no credit has been received to the account in the previous 90 days; and

(iii) the whole amount of any balance outstanding (regardless of whether within limit or not) where the firm has determined that a default has occurred and/or where an impairment or provision charge has been raised) and/or where formal demand for repayment has been made.

All amounts to include interest and fees and other charges due but not paid (unless incorporated in a balance that is within the agreed limit). Do not include interest accrued but not yet payable.

Column C rows 12-26

Past due: 'o/w impaired' is shorthand for 'of which impaired'. The terms 'impaired' and 'impairment' here, and in other places in FSA015, should be consistent with that used in the *firm's* statutory Annual Accounts. Where the firm's accounts are compiled under UK GAAP the terms should be equated to 'general provisions' and 'specific provisions'.

Include here the balances of any *exposures* in column B which are also deemed to be impaired.

Where a proportion of the balance is impaired, this column should be populated with the total balance of the exposure, not just the amount by which the account is deemed impaired.

If impaired exposures are reported in column C, we would usually expect the balances to be reported in column N or, where applicable, column P.

Column D rows 12-26

'Other impaired' refers to impaired *exposures* which have no past due element.

Include here the total balance of any other *exposures* which, whilst not past due, are deemed to be impaired. Do not just record the amount of the impairment charge.

Where a *firm* is using UK GAAP rather than IFRS any balances in columns D and E should relate to exposures which, even though they are not past due, have been deemed to require either a general or specific provision.

Column E rows 12-26

For unsecured exposures and partially secured exposures (where the collateral held does not cover the entire exposure) enter the total gross value, before deduction of impairment charges, of exposures which have been classified as impaired (i.e. included in columns C and D) and for which either no collateral is held or where collateral is held but is insufficient to cover the entire exposure. Report here loans which are included in columns C and D because they are impaired, reporting the balance owed, less the realisable value of the security held, for each loan.

For fully secured lending (rows 13 and 17) we would usually expect a nil value in column E, unless it is known that the current realisable value of the security shows a shortfall. Where such a loan is subsequently restructured, it should be reclassified to the row appropriate for the security cover at that point.

Column B rows 27-31

Include here any exposures where payments have not been made on the date due and are now overdue and where there is little prospect for recovery of principal or interest.

Column C rows 27-31

Include here the amount of any other exposures which, whilst not in default, are deemed to be impaired.

Column D rows 27-31

Include here the Mark-to-market value of any impaired exposures included in columns B and C.

Column H: All balances (accounting) at period end

This is the total value of the on balance sheet exposures in each category, valued in line with the *f*irm's accounting policies. However, there will not necessarily be a direct reconciliation between column H and the firm's statutory published Balance Sheet, nor between column H and FSA001, as FSA015 does not include all asset classes (and excludes trading book assets).

A firm should report here the balance sheet valuation of its exposures valued in accordance with IFRS or UK GAAP as appropriate.

Whether the balances in column H are reported net or gross of impairments or provisions, they should be consistent with how balances are calculated for the firm's statutory accounts.

FSA015 is intended to relate to on balance sheet arrears. That means that securitisations that attract off-balance sheet treatment should not be included. However, if a securitisation attracts on-balance sheet treatment (for instance because there is recourse to the firm or, in the case of consolidated returns, the securitisation SPV is included in the scope of the consolidation), it should be included. The appropriate rows of column H should be completed for all the sectors to which the firm has an exposure, even if these are all fully performing and there are no associated write-offs or impairment charges.

Columns J-M

The reference to 'in periods' at columns J to M is a reference to the amount of write-offs or impairment charges since the last reported FSA015.

In completing column J there may be a difference to accounting convention as write-offs should be reported as a positive figure. On FSA015 a negative number will be taken to indicate a write-back. Similarly for columns K and L, where an impairment charge is being put though the income statement it should be reported as a positive amount. A negative number will indicate the release of an impairment charge (reduction in provision).

Column J: Write-**o**ffs net of recoveries

Enter the net amount written off during the period, after any recoveries of exposures previously written off.

The figure reported here should only relate to the amount of write-offs net of recoveries made since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on the Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

Columns K and L: Charge/credit to the Income statement (P&L)

The figure reported in column K should only relate to the amount of new individual impairments or specific provisions charged to the income statement since the last reporting period end date (i.e. in the latest quarter or half-year). The figure reported in column L should only relate to the amount of new collective impairments or general provisions charged to the income statement since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on the PRA Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

A net credit should be shown with a minus sign (not brackets). The gross charge for new impairment charges should be offset by other items including any charges made in earlier periods but now released. The charge or credit for individual impairment charges should include the charge or credit for provisions in respect of suspended interest where it is the practice of the reporting institution to show suspended interest as interest receivable in the income statement (profit and loss account).

Column M: Other Adj**u**stments

The “in period” for columns J to M means the amount of write-offs or impairment charges since the last reported FSA015.

This includes any adjustments made as a result of an acquisition or disposal of a subsidiary company the balance sheet of which includes impairment balances and is included in the consolidation for the particular return. Also include any adjustments made for exchange rate movements in respect of impairment balances denominated in currencies other than the reporting currency. Where the adjustment is negative, report the amount with a minus sign (not brackets).

The figure reported here should only relate to the amount of other adjustments since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on PRA Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

Column N: individual impairment balance or specific provisions

Enter the total value of individual impairment balances.

Note that if all of the firm’s provisions relate to accounts included in this data item this would be the total value of the individual impairment balance or provisions as detailed on the firm’s financial balance sheet. If some of the impairments or provisions relate to accounts that are not included in this data item then this will not be the case.

In most cases we would expect that, for the current period, for each line item, the following would be true: (N+P for the previous period) – J + (K+L+M) (where J, K, L & M are for the current period) is approximately equal to (N+P for the current period).

Individual impairment balances or specific provisions are those generated following the impairment assessment of a loan on a standalone basis.

Column P: collective impairment balance or general provision

Enter the total value of collective impairment balances.

Note that if all of the firm’s provisions relate to accounts included in this data item this would be the total value of the collective impairment balance as detailed on the firm’s financial balance sheet. If some of the provisions relate to accounts that are not included in this data item then this will not be the case.

Collective impairment balances or general provisions are those generated following the impairment assessment of a group of loans.

Columns L and P: collective impairments

Collective impairment charges should be applied at portfolio or product level and should be allocated to the most appropriate category for that portfolio or product.

Column Q: balances of loans with individual impairment

Include the total balance of any exposures that are judged to be impaired. This should be gross of impairment provisions but net of write-offs as per the statutory annual accounts. Loans which have been tested for impairments, but which are not classed as impaired, should not be included.

Sectors (rows)

UK and Non-UK

For Retail and Corporate sectors (lines 1-20), where a split of exposures between UK and non-UK is required, this should be done based on the location of the lending entity.

Financial sector and Non-financial institutions categories (lines 21-26) should be split by domicile of the counterparty to which the firm has an exposure. If the firm does not have details of the counterparty then it should report the UK/Non-UK split in the same way as done for Retail and Corporate sectors i.e. using the location of the lending entity.

Retail sector

This section comprises all Retail exposures, including exposures to retail SME. Note that loans should only be reclassified between “partially secured” and “fully secured” where there has been a formal revaluation exercise carried out by the firm of the specific security held, i.e. excluding revaluations conducted for the purposes of re-indexing for capital calculation purposes.

1 First charge mortgages to individuals

This comprises lending to individuals secured by mortgage on land and buildings, where such loans are fully secured by a first equitable or legal charge, where at least 40% of the land and buildings is used for residential purposes, and where the premises are for occupation by either the borrower (or dependant), or any other third party (e.g. it includes ‘buy to let’ lending to individuals). Both regulated and non-regulated mortgage contracts should be included.

Do not include here any residential loans to individuals that are part of a ‘business loans’ type package (involving multiple loans and multiple securities, where there is no one-to-one correspondence between a loan and a specific security), but report them under ‘other secured loans to individuals’.

2 Other fully secured loans to individuals

Include here all other secured lending in the UK to individuals where the firm does not have a first charge.

3 Partially secured exposures to individuals

Include here any lending in the UK to individuals where the exposure is only partially secured.

4 Card accounts

This includes UK charge card lending (even if the outstanding balance is required to be paid off in full at the end of each charging period).

5 Unsecured exposures to individuals

Report here all other *exposures* in the UK to individuals.

6 Retail SME

Include here all UK *exposures* to *retail SME* irrespective of security held.

7 Fully secured loans to individuals

Include here any lending outside the UK to individuals where the exposure is fully secured.

8 Partially secured exposures to individuals

Include here any lending outside the UK to individuals where the exposure is only partially secured.

9 Unsecured exposures to individuals

Comprises all other exposures outside the UK to individuals. Credit card lending outside the UK should be included here.

10 Retail SME

Include here all non-UK *exposures* to *retail SME* irrespective of security held.

Corporate sector

This section comprises all *corporate exposures* that are not included in retail SME. This should include *exposures* to and/or balances with non consolidated group companies as well as third parties. It should exclude securities which are included in lines 27 – 30. Where a *firm* holds securities but cannot distinguish between quoted and unquoted securities these should also be reported as debt instruments (lines 27 – 30).

12 UK commercial real estate (secured and unsecured)

This will typically include any *exposures* defined by Basel as "Claims secured by commercial real estate" or "Income-producing real estate", or lending where the counterparty has been allocated to SIC code 68 or 41.1 and the lending is done in the UK. These SIC codes include exposures to social housing companies. Exposures included here are those that are linked to the commercial nature of the borrower rather than the type of real estate held as security.

13, 17 Other fully secured lending

Include here any lending where the *exposure* is fully secured

14, 18 Other partially secured lending

Include here any lending where the *exposure* is only partially secured.

15, 19 Unsecured lending

Include here all other *corporate exposures*.

16 Non-UK commercial real estate

This will typically include any *exposures* defined by Basel as "exposures secured by commercial real estate" or "Income-producing real estate", or lending where the counterparty has been allocated to SIC code 68 or 41.1 and the lending is done outside the UK.

Financial sector

This section comprises all *exposures* to the *financial sector*.

21 Exposures to UK financial institutions, credit institutions and insurance companies

Include *exposures* to all UK financial institutions, credit institutions (including banks) and insurance companies.

This line should include, for example, cash on deposit with UK financial institutions, money market deposits with *UK banks* and UK bank securities excluding securities which are included in lines 27 – 30 below.

22 Exposures to non-UK financial institutions, credit institutions and insurance companies

Include exposures to all non-UK financial institutions, credit institutions (including banks) and insurance companies.

This line should include, for example, cash on deposit with non-UK financial institutions, money market deposits with non-UK banks and non-UK bank securities excluding securities which are included in lines 27 – 30 below.

Non-financial institutions (including government)

Include all other *exposures* other than those defined above or debt instruments in the banking book.

Debt instruments (banking book)

Any debt instruments that are:

(i) quoted on any investment exchange; or

(ii) CDOs; or

(iii) government gilts or Treasury Bills;

and held in the banking book, regardless of the issuer type, should be reported in lines 27 – 30 and not elsewhere.

27 UK collateralised debt obligations

Include here all CDOs issued by UK companies. CDOs are a type of asset-backed security whose value and payments are derived from a portfolio of fixed-income underlying assets.

28 Other UK asset backed securities

Include holdings of all other *asset backed securities*, except CDOs, issued by UK entities.

29 Other UK securities

Include holdings of all other securities, except those listed above, issued by UK entities. Include here also gilts and Treasury bills issued by the UK government.

Exposures to equities are not included in FSA015 and need not be reported.

30 Other non-UK securities

Include holdings of any securities issued by non-UK companies including non-UK CDOs and non-UK *asset backed securities*. Also include here non-UK government securities.

Debt instruments should be classified according to the domicile or geographical location of the issuer.

FSA015– sectoral information, including arrears and impairment - validations

Internal validations

Data elements are referenced by row then column

Validation number	Data element		
1	1G	=	1B+1C+1D+1E+1F
2	2G	=	2B+2C+2D+2E+2F
3	3G	=	3B+3C+3D+3E+3F
4	4G	=	4B+4C+4D+4E+4F
5	5G	=	5B+5C+5D+5E+5F
6	6G	=	6B+6C+6D+6E+6F
7	7G	=	7B+7C+7D+7E+7F
8	8G	=	8B+8C+8D+8E+8F
9	9G	=	9B+9C+9D+9E+9F
10	10G	=	10B+10C+10D+10E+10F
11	11G	=	11B+11C+11D+11E+11F
12	11A	=	1A+2A+3A+4A+5A+6A+7A+8A+9A+10A
13	11B	=	1B+2B+3B+4B+5B+6B+7B+8B+9B+10B
14	11C	=	1C+2C+3C+4C+5C+6C+7C+8C+9C+10C
15	11D	=	1D+2D+3D+4D+5D+6D+7D+8D+9D+10D
16	11E	=	1E+2E+3E+4E+5E+6E+7E+8E+9E+10E
17	11F	=	1F+2F+3F+4F+5F+6F+7F+8F+9F+10F
18	11G	=	1G+2G+3G+4G+5G+6G+7G+8G+9G+10G
19	20B	=	12B+13B+14B+15B+16B+17B+18B+19B
20	20C	=	12C+13C+14C+15C+16C+17C+18C+19C
21	20D	=	12D+13D+14D+15D+16D+17D+18D+19D
22	20E	=	12E+13E+14E+15E+16E+17E+18E+19E
23	23B	=	21B+22B

24	23C	=	21C+22C
25	23D	=	21D+22D
26	23E	=	21E+22E
27	26B	=	24B+25B
28	26C	=	24C+25C
29	26D	=	24D+25D
30	26E	=	24E+25E
31	31B	=	27B+28B+29B+30B
32	31C	=	27C+28C+29C+30C
33	31D	=	27D+28D+29D+30D
34	11H	=	1H+2H+3H+4H+5H+6H+7H+8H+9H+10H
35	11J	=	1J+2J+3J+4J+5J+6J+7J+8J+9J+10J
36	11K	=	1K+2K+3K+4K+5K+6K+7K+8K+9K+10K
37	11L	=	1L+2L+3L+4L+5L+6L+7L+8L+9L+10L
38	11M	=	1M+2M+3M+4M+5M+6M+7M+8M+9M+10M
39	11N	=	1N+2N+3N+4N+5N+6N+7N+8N+9N+10N
40	11P	=	1P+2P+3P+4P+5P+6P+7P+8P+9P+10P
41	11Q	=	1Q+2Q+3Q+4Q+5Q+6Q+7Q+8Q+9Q+10Q
42	20H	=	12H+13H+14H+15H+16H+17H+18H+19H
43	20J	=	12J+13J+14J+15J+16J+17J+18J+19J
44	20K	=	12K+13K+14K+15K+16K+17K+18K+19K
45	20L	=	12L+13L+14L+15L+16L+17L+18L+19L
46	20M	=	12M+13M+14M+15M+16M+17M+18M+19M
47	20N	=	12N+13N+14N+15N+16N+17N+18N+19N
48	20P	=	12P+13P+14P+15P+16P+17P+18P+19P
49	20Q	=	12Q+13Q+14Q+15Q+16Q+17Q+18Q+19Q
50	23H	=	21H+22H
51	23J	=	21J+22J

52	23K	=	21K+22K
53	23L	=	21L+22L
54	23M	=	21M+22M
55	23N	=	21N+22N
56	23P	=	21P+22P
57	23Q	=	21Q+22Q
58	26H	=	24H+25H
59	26J	=	24J+25J
60	26K	=	24K+25K
61	26L	=	24L+25L
62	26M	=	24M+25M
63	26N	=	24N+25N
64	26P	=	24P+25P
65	26Q	=	24Q+25Q
66	31H	=	27H+28H+29H+30H
67	31J	=	27J+28J+29J+30J
68	31K	=	27K+28K+29K+30K
69	31L	=	27L+28L+29L+30L
70	31M	=	27M+28M+29M+30M
71	31N	=	27N+28N+29N+30N
72	31P	=	27P+28P+29P+30P
73	31Q	=	27Q+28Q+29Q+30Q
74	32H	=	11H+20H+23H+26H+31H
75	32J	=	11J+20J+23J+26J+31J
76	32K	=	11K+20K+23K+26K+31K
77	32L	=	11L+20L+23L+26L+31L
78	32M	=	11M+20M+23M+26M+31M
79	32N	=	11N+20N+23N+26N+31N

80	32P	=	11P+20P+23P+26P+31P
81	32Q	=	11Q+20Q+23Q+26Q+31Q
82	12C	<=	12B
83	13C	<=	13B
84	14C	<=	14B
85	15C	<=	15B
86	16C	<=	16B
87	17C	<=	17B
88	18C	<=	18B
89	19C	<=	19B
90	20C	<=	20B
91	21C	<=	21B
92	22C	<=	22B
93	23C	<=	23B
94	24C	<=	24B
95	25C	<=	25B
96	26C	<=	26B

External validations

There are no external validations for this data item

8 FSA016 – Solo consolidation data

This data item collects information on the subsidiaries included within solo-consolidation. It is designed to provide the PRA with sufficient information to understand the impact and profile of the solo-consolidated subsidiaries on the balance sheet of the firm, while at the same time limiting the information to the most material subsidiaries.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2A will be the element numbered 2 in column A.

1A – Number of subsidiaries included in the solo-consolidation

This is the number of firms that are included within the solo-consolidation and for which waivers have been granted.

2A – Book value of investments included in solo-consolidation – EEA incorporated

This is the book value of EEA- incorporated investments that are included within the firm's solo-consolidated reporting , in the unconsolidated accounts of the firm.

3A – Book value of investments included in solo-consolidation – non-EEA incorporated

This is the book value of non-EEA incorporated investments that are included within the firm's solo-consolidated reporting , in the unconsolidated accounts of the firm.

4A Surplus capital in the parent firm

This figure is the total capital after deductions from the solo-consolidated FSA003 (data element 15A) less the value of the investments reported in data elements 2A and 3A above, to which has been added back the value of any investments by the solo-consolidated subsidiaries in their own non solo-consolidated subsidiaries.

5 Top 5 solo-consolidated subsidiaries ranked by book value of investment

For each of the subsidiaries listed, the following details should be provided:

5A the name of the subsidiary;

5B the country of incorporation;

5C a brief business descriptor from a pre-defined list – funding; lending; investment; other;

5D the main underlying assets from a predefined list – commercial property; residential property; fixed assets; plant; investment grade debt securities; investment grade equity; debt securities; equity; other;

5E the book value of the subsidiary (included within 2A or 3A above); and

5F the capital requirements arising from the assets held by the subsidiary.

6 Top 5 solo-consolidate subsidiaries ranked by aggregate exposure of parent to subsidiary

For each of the subsidiaries listed, the following details should be provided:

6A the name of the subsidiary;

6B the country of incorporation;

6C a brief business descriptor from a pre-defined list – funding; lending; investment; other;

6D the main underlying assets from a predefined list – commercial property; residential property; fixed assets; plant; investment grade debt securities; investment grade equity; debt securities; equity; other;

6E the aggregate exposure of the parent to the subsidiary, including funding in a capital form;

6F the exposure of the parent to the subsidiary at the reporting date with a residual maturity of less than one year; and

6G the capital requirements arising from the assets held by the subsidiary.

7 Top 5 solo consolidated subsidiaries ranked by net flow of funds from parent to subsidiary during the period

For each of the subsidiaries listed, the following details should be provided:

7A the name of the subsidiary;

7B the country of incorporation;

7C a brief business descriptor from a pre-defined list – funding; lending; investment; other;

7D the main underlying assets from a predefined list – commercial property; residential property; fixed assets; plant; investment grade debt securities; investment grade equity; debt securities; equity; other; and

7E the net flow of funds from the parent to the subsidiary, including funding in a capital form.

FSA016 – Solo consolidated data validations

Internal validations

There are no internal validations for this data item.

External validation

There are no external validations for this data item.

9 FSA017 – Interest rate gap

This data item collects information on the interest rate gap. It is designed to provide the PRA with sufficient information to understand the interest rate sensitivity of a firm's assets and liabilities.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2A will be the element numbered 2 in column A.

Gap analysis is undertaken by examining details of interest sensitive assets and liabilities to establish when they will next reprice (i.e. be subject to a change in interest rate), and then tabulating those which reprice within set time periods (known as 'time buckets', within which all items repricing are grouped together). Interest rate sensitive items are those assets and liabilities that are subject to contractual change in interest rates, or which mature (fall due for repayment) during the period of the return. (Note that the contractual date for repricing purposes is not necessarily the maturity date of the asset/liability. For example, a 3 year loan could be repriced every six months at a spread above 6 month LIBOR. If it was rolled over a month ago then it will reprice in 5 months', not in 3 years', time.)

Those assets and liabilities lacking definitive repricing intervals (e.g. sight deposits or savings accounts) or actual maturities that could vary from contractual maturities (e.g. mortgages with an option for early repayment) should be assigned to repricing time bands according to the judgement and past experience of the firm.

When fixed rate liabilities in an individual time bucket exceed fixed rate assets in the same bucket, a 'negative gap' exists for that period - implying that a rise in interest rates for that period should produce an increase in net interest income, and a fall in rates should give rise to a fall in net interest income. Conversely, when fixed rate assets exceed fixed rate liabilities in the same time bucket, a 'positive gap' exists and net interest income should fall if interest rates increase and rise if rates reduce.

Variable rate items, for which there is no lead time between a change in market rates and a corresponding change in the contracted interest rate (i.e. effectively overnight) should be placed in the "overnight" time bucket. Conventionally, first year time buckets are of shorter duration than later time buckets. However, the precise choice of time buckets is a matter for each firm.

On and off balance sheet items should be allocated to the various time buckets in accordance with their re-pricing date. The information in respect of balances to be used in this data item should not be fair-valued but should be based on the contractual position (i.e. between the lender and borrower).

Care should be taken in allocating off balance sheet items. Firms need to consider the essential interest-bearing characteristics of these instruments. For example:

> **Swaps:** if a fixed rate mortgage of 3 years maturity is swapped to a 6 month LIBOR rate then the impact on the gap analysis should be shown by placing the notional swapped amount into the 3 year liability time bucket and the same amount in the 6 month asset time bucket.
>
> **FRAs:** if a deposit is due to re-price in 3 months' time for 3 months and the firm wishes to hedge its exposure, then it might do so by buying an FRA where in 3 months' time it receives

an amount of interest covering the further 3 month period (i.e. it will buy a 3v6 FRA). This should be shown as a 6 month liability and a 3 month asset in the gap analysis, reflecting the fact that effectively (a) the firm has locked in now (at time zero) to paying a fixed rate in 3 months' time covering a 3 month period (hence in total 6 months), and (b) the firm has an exposure now for 3 months to the rate at which the receiving leg of the FRA will settle. In 3 months' time, on settlement, the FRA will disappear from the analysis as proceeds, or preferably payments, will have been settled and the derivative interest rate exposure extinguished.

Non interest rate sensitive items (e.g. fixed assets, reserves or interest accruals) should be placed in the most distant time bucket. This should not be included in the sensitivity calculations but remains on the gap report for the sake of balance sheet completeness. The PRA recognises that there are several schools of thought over where to allocate reserves in a gap analysis and will consider other board-approved scenarios which are consistently applied and rationalised.

Where firms fully hedge or match customer products, in theory, there is no gap created. However, in practice, permanent one-for-one matching is not always possible. There may be lead times during which the asset/liability and the related hedge/match are out of step. For example, this may occur when swapping fixed rate mortgages: the mortgages can complete over a period of time, whilst the swap is typically effected in full at a particular point in time. A perfect match or hedge may be disrupted by the early repayment of a fixed rate mortgage or early withdrawal of a fixed rate savings product on the death of an investor.

The PRA recognises that the contractual re-pricing relating to certain assets and liabilities do not bear a close relationship to their actual behavioural characteristics. So a firm may report its interest rate gap analysis after taking account of these “behavioural” assumptions; these should be included in the rows for "adjusted for actual expected re-pricing date".

Where balances are committed but not yet drawn down, the amount should be included in the relevant row for "pipeline products".

The information in respect of balances to be reported in column A should not be fair-valued but should report the contractual position.

The data item should be completed for all currencies in aggregate.

FSA017 – Interest rate gap report validations

Internal validations

Data elements are referenced first by row then by column.

Validation number	Data element		
1	1A	=	2%
2	2A	=	2B+2C+2D+2E+2F+2G+2H+2J+2K+2L+2M+2N+2P+2Q
3	3A	=	3B+3C+3D+3E+3F+3G+3H+3J+3K+3L+3M+3N+3P+3Q
4			[deleted – replaced by validation 201]
5	4A	=	4B+4C+4D+4E+4F+4G+4H+4J+4K+4L+4M+4N+4P+4Q
6	5A	=	5B+5C+5D+5E+5F+5G+5H+5J+5K+5L+5M+5N+5P+5Q
7	6A	=	6B+6C+6D+6E+6F+6G+6H+6J+6K+6L+6M+6N+6P+6Q
8			[deleted – replaced by validation 202]
9	7A	=	7B+7C+7D+7E+7F+7G+7H+7J+7K+7L+7M+7N+7P+7Q
10	8A	=	8B
11			[deleted – replaced by validation 203]
12	10A	=	10B+10C+10D+10E+10F+10G+10H+10J+10K+10L+10M+10N+10P+ 10Q [ ]
28	11A	=	11B+11C+11D+11E+11F+11G+11H+11J+11K+11L+11M+11N+11P+ 11Q
29	12A	=	12B+12C+12D+12E+12F+12G+12H+12J+12K+12L+12M+12N+12P+ 12Q
30	13A	=	13B+13C+13D+13E+13F+13G+13H+13J+13K+13L+13M+13N+13P+ 13Q
31	13A	=	10A+11A+12A
32	13B	=	10B+11B+12B
33	13C	=	10C+11C+12C
34	13D	=	10D+11D+12D
35	13E	=	10E+11E+12E
36	13F	=	10F+11F+12F

37	13G	=	10G+11G+12G
38	13H	=	10H+11H+12H
39	13J	=	10J+11J+12J
40	13K	=	10K+11K+12K
41	13L	=	10L+11L+12L
42	13M	=	10M+11M+12M
43	13N	=	10N+11N+12N
44	13P	=	10P+11P+12P
45	13Q	=	10Q+11Q+12Q
46	14A	=	14B+14C+14D+14E+14F+14G+14H+14J+14K+14L+14M+14N+14P+14Q
47	15A	=	15B+15C+15D+15E+15F+15G+15H+15J+15K+15L+15M+15N+15P+15Q
49	16A	=	16B+16C+16D+16E+16F+16G+16H+16J+16K+16L+16M+16N+16P+16Q
50	17A	=	17B+17C+17D+17E+17F+17G+17H+17J+17K+17L+17M+17N+17P+17Q
51	18A	=	18B+18C+18D+18E+18F+18G+18H+18J+18K+18L+18M+18N+18P+18Q
53	19A	=	19B+19C+19D+19E+19F+19G+19H+19J+19K+19L+19M+19N+19P+19Q
54	20A	=	20B
55	20A	=	8A
56	20B	=	8B
58	22A	=	22B+22C+22D+22E+22F+22G+22H+22J+22K+22L+22M+22N+22P+22Q
59	23A	=	23B+23C+23D+23E+23F+23G+23H+23J+23K+23L+23M+23N+23P+23Q
61	24A	=	24B+24C+24D+24E+24F+24G+24H+24J+24K+24L+24M+24N+24P+24Q
77	25A	=	25B+25C+25D+25E+25F+25G+25H+25J+25K+25L+25M+25N+25P+25Q
78	25A	=	11A

79	26A	=	26B+26C+26D+26E+26F+26G+26H+26J+26K+26L+26M+26N+26P+26Q
80	26A	=	12A
81	27A	=	27B+27C+27D+27E+27F+27G+27H+27J+27K+27L+27M+27N+27P+27Q
82	27A	=	13A
83	27A	=	24A+25A+26A
84	27B	=	24B+25B+26B
85	27C	=	24C+25C+26C
86	27D	=	24D+25D+26D
87	27E	=	24E+25E+26E
88	27F	=	24F+25F+26F
89	27G	=	24G+25G+26G
90	27H	=	24H+25H+26H
91	27J	=	24J+25J+26J
92	27K	=	24K+25K+26K
93	27L	=	24L+25L+26L
94	27M	=	24M+25M+26M
95	27N	=	24N+25N+26N
96	27P	=	24P+25P+26P
97	27Q	=	24Q+25Q+26Q
98	28A	=	28B+28C+28D+28E+28F+28G+28H+28J+28K+28L+28M+28N+28P+28Q
99	28A	=	0
100	28B	=	13B-27B
101	28C	=	13C-27C
102	28D	=	13D-27D
103	28E	=	13E-27E
104	28F	=	13F-27F

105	28G	=	13G-27G
106	28H	=	13H-27H
107	28J	=	13J-27J
108	28K	=	13K-27K
109	28L	=	13L-27L
110	28M	=	13M-27M
111	28N	=	13N-27N
112	28P	=	13P-27P
113	28Q	=	13Q-27Q
201	3A	=	0
202	6A	=	0
203	9A	=	9B+9C+9D+9E+9F+9G+9H+9J+9K+9L+9M+9N+9P+9Q
204	10A	=	24A
205	10A	=	2A+3A+4A+5A+6A+7A+8A+9A
206	10B	=	2B+3B+4B+5B+6B+7B+8B+9B
207	10C	=	2C+3C+4C+5C+6C+7C+9C
208	10D	=	2D+3D+4D+5D+6D+7D+9D
209	10E	=	2E+3E+4E+5E+6E+7E+9E
210	10F	=	2F+3F+4F+5F+6F+7F+9F
211	10G	=	2G+3G+4G+5G+6G+7G+9G
212	10H	=	2H+3H+4H+5H+6H+7H+9H
213	10J	=	2J+3J+4J+5J+6J+7J+9J
214	10K	=	2K+3K+4K+5K+6K+7K+9K
215	10L	=	2L+3L+4L+5L+6L+7L+9L
216	10M	=	2M+3M+4M+5M+6M+7M+9M
217	10N	=	2N+3N+4N+5N+6N+7N+9N
218	10P	=	2P+3P+4P+5P+6P+7P+9P
219	10Q	=	2Q+3Q+4Q+5Q+6Q+7Q+9Q

220	15A	=	0
221	18A	=	0
222	19A	=	4A+7A-16A
223	21A	=	21B+21C+21D+21E+21F+21G+21H+21J+21K+21L+21M+21N+21P+ 21Q
224	23A	=	0
225	24A	=	14A+15A+16A+17A+18A+19A+20A+21A+22A+23A
226	24B	=	14B+15B+16B+17B+18B+19B+20B+21B+22B+23B
227	24C	=	14C+15C+16C+17C+18C+19C+21C+22C+23C
228	24D	=	14D+15D+16D+17D+18D+19D+21D+22D+23D
229	24E	=	14E+15E+16E+17E+18E+19E+21E+22E+23E
230	24F	=	14F+15F+16F+17F+18F+19F+21F+22F+23F
231	24G	=	14G+15G+16G+17G+18G+19G+21G+22G+23G
232	24H	=	14H+15H+16H+17H+18H+19H+21H+22H+23H
234	24J	=	14J+15J+16J+17J+18J+19J+21J+22J+23J
235	24K	=	14K+15K+16K+17K+18K+19K+21K+22K+23K
236	24L	=	14L+15L+16L+17L+18L+19L+21L+22L+23L
237	24M	=	14M+15M+16M+17M+18M+19M+21M+22M+23M
238	24N	=	14N+15N+16N+17N+18N+19N+21N+22N+23N
239	24P	=	14P+15P+16P+17P+18P+19P+21P+22P+23P
240	24Q	=	14Q+15Q+16Q+17Q+18Q+19Q+21Q+22Q+23Q
241	31B	=	31C+28B
242	31C	=	31D+28C
243	31D	=	31E+28D
244	31E	=	31F+28E
245	31F	=	31G+28F
246	31G	=	31H+28G
247	31H	=	31J+28H

248	31J	=	31K+28J
249	31K	=	31L+28K
250	31L	=	31M+28L
251	31M	=	31N+28M
253	38A	=	38B+38C+38D+38E+38F+38G+38H+38J+38K+38L+38M+38N+38P
254	39A	=	39B+39C+39D+39E+39F+39G+39H+39J+39K+39L+39M+39N+39P
255	40A	=	40B+40C+40D+40E+40F+40G+40H+40J+40K+40L+40M+40N+40P
256	41A	=	41B+41C+41D+41E+41F+41G+41H+41J+41K+41L+41M+41N+41P
257	42A	=	42B+42C+42D+42E+42F+42G+42H+42J+42K+42L+42M+42N+42P
258	44B	=	1/((1+43B)^34B)
259	44C	=	1/((1+43C)^34C)
260	44D	=	1/((1+43D)^34D)
261	44E	=	1/((1+43E)^34E)
262	44F	=	1/((1+43F)^34F)
263	44G	=	1/((1+43G)^34G)
264	44H	=	1/((1+43H)^34H)
265	44J	=	1/((1+43J)^34J)
266	44K	=	1/((1+43K)^34K)
267	44L	=	1/((1+43L)^34L)
268	44M	=	1/((1+43M)^34M)
269	44N	=	1/((1+43N)^34N)
270	44P	=	1/((1+43P)^34P)
271	45B	=	1/((1+(43B+1A))^34B)
272	45C	=	1/((1+(43C+1A))^34C)
273	45D	=	1/((1+(43D+1A))^34D)
274	45E	=	1/((1+(43E+1A))^34E)
275	45F	=	1/((1+(43F+1A))^34F)
276	45G	=	1/((1+(43G+1A))^34G)

277	45H	=	1/((1+(43H+1A))^34H)
278	45J	=	1/((1+(43J+1A))^34J)
279	45K	=	1/((1+(43K+1A))^34K)
280	45L	=	1/((1+(43L+1A))^34L)
281	45M	=	1/((1+(43M+1A))^34M)
282	45N	=	1/((1+(43N+1A))^34N)
283	45P	=	1/((1+(43P+1A))^34P)
285	46C	=	1/((1+(43C-1A))^34C)
286	46D	=	1/((1+(43D-1A))^34D)
287	46E	=	1/((1+(43E-1A))^34E)
288	46F	=	1/((1+(43F-1A))^34F)
289	46G	=	1/((1+(43G-1A))^34G)
290	46H	=	1/((1+(43H-1A))^34H)
291	46J	=	1/((1+(43J-1A))^34J)
292	46K	=	1/((1+(43K-1A))^34K)
293	46L	=	1/((1+(43L-1A))^34L)
294	46M	=	1/((1+(43M-1A))^34M)
295	46N	=	1/((1+(43N-1A))^34N)
296	46P	=	1/((1+(43P-1A))^34P)
297	47B	=	28B*44B
298	47C	=	28C*44C
299	47D	=	28D*44D
300	47E	=	28E*44E
301	47F	=	28F*44F
302	47G	=	28G*44G
303	47H	=	28H*44H
304	47J	=	28J*44J
305	47K	=	28K*44K

306	47L	=	28L*44L
307	47M	=	28M*44M
308	47N	=	28N*44N
309	48B	=	28B*45B
310	48C	=	28C*45C
311	48D	=	28D*45D
312	48E	=	28E*45E
313	48F	=	28F*45F
314	48G	=	28G*45G
315	48H	=	28H*45H
316	48J	=	28J*45J
317	48K	=	28K*45K
318	48L	=	28L*45L
319	48M	=	28M*45M
320	48N	=	28N*45N
321	49B	=	28B*46B
322	49C	=	28C*46C
323	49D	=	28D*46D
324	49E	=	28E*46E
325	49F	=	28F*46F
326	49G	=	28G*46G
327	49H	=	28H*46H
328	49J	=	28J*46J
329	49K	=	28K*46K
330	49L	=	28L*46L
331	49M	=	28M*46M
332	49N	=	28N*46N
333	46B	=	1/1((1+43B-1^{a}))^34B

334	47P	=	28P*44P
335	48P	=	28P*45P
336	49P	=	28P*46P
337	31N	=	31P+28N
338	31P	=	28P
339	38B	=	48B-47B
340	38C	=	48C-47C
341	38D	=	48D-47E
342	38E	=	48E-47E
343	38F	=	48F-47F
344	38G	=	48G-47G
345	38H	=	48H-47GH
346	38J	=	48J-47J
347	38K	=	48K-47K
348	38L	=	48L-47L
349	38M	=	48M-47M
350	38N	=	48N-47N
351	38P	=	48P-47P
352	39B	=	49B-47B
353	39C	=	49C-47C
354	39D	=	49D-47D
355	39E	=	49E-47E
356	39F	=	49F-47F

357	39G	=	49G-47G
358	39H	=	49H-47H
359	39J	=	49J-47J
360	39K	=	49K-47K
361	39L	=	49L-47L
362	39M	=	49M-47M
363	39N	=	49N-47N
364	39P	=	49P-47P

10 FSA018 – Exposures from the core UK group to the non-core large exposures group

This data item is only applicable to *firms* that have both a *core UK group* and an *NCLEG trading book permission* or an *NCLEG non-trading book permission*. It captures information on *exposures* from the members of a firm's *core UK group (*and the *firm)* to members of a firm's *non-core large exposures group.* A single report is required in respect of exposures from all members of the *firm's core UK group* (and the *firm)*, reflecting the exposures at the reporting date.

FSA018 was originally constructed to capture information on the level of exposures from the UK integrated group to the diverse blocks and residual blocks, reflecting the intra-group large exposures regime in operation pre-2011However, *firms* should interpret this form on the basis of the *core UK group* and *non-core large exposures group* respectively, and follow the specific instructions provided for the individual data cells.

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Valuation

Unless indicated otherwise, the valuation of data elements should follow Article 390 of the *EU CRR*.

Currency

You should report in the currency of your annual audited accounts (i.e. in either Sterling, Euro US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen). Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B. Individual rows within an element are identified as 2B.1, 2B.2 etc.

General

1

[deleted]

2 Firm Reference Numbers

List the Firm Reference Numbers for all the authorised firms in the firm's *core UK group* only. . Firms should be listed sequentially in 2A, with the Firm Reference Numbers being entered in 2B. Ignore e cell 2C

3A Core UK group eligible capital

This is core UK group eligible capital

4A Exposure number

Complete one line in relation to Section 4B. Ignore line marked "Total".

4B Non-core large exposures group

Complete one line only in respect of aggregate exposure of all members of the *core UK group* (and the *firm*) to all members of the *non-core large exposures group*. .

4C Gross exposure

Report here the gross exposure of the *core UK group* (non trading book and trading book) of all members of the *firm's core UK group* (and the *firm*) to all members of the *non-core large exposures group*.

4D % of core UK group eligible capital

This is column C as a percentage of data element 3A (*core UK group eligible capital*). It should be entered to two decimal places, omitting the % sign.

4E Exposure after credit risk mitigation

This is the figure reported in column D after credit risk mitigation. This figure is subsequently broken down in columns F to M.

4F Amount of the exposure that is exempt

That part of the amount reported in column E that is an exempt, whether under the firms NCLEG non trading book permission or its NCLEG trading book permission.

4G % of core UK group eligible capital

This is column F as a percentage of data element 3A (*core UK group eligible capital*. It should be entered to two decimal places, omitting the % sign.

4H Amount of the exposure that is not exempt and is in the non-trading book

That part of the exposure reported in column E that is not exempt and is in the non-*trading book*.

4J % of core UK group eligible capital

This is column H as a percentage of *core UK group eligible capital*. It should be entered to two decimal places, omitting the % sign.

4K Amount of the exposure that is not exempt and is in the trading book

Ignore.

4L % of core UK group eligible capital

Ignore.

4M Aggregate % of core UK group eligible capital

Ignore.

4N CNCOM

Ignore.

11 FSA019 – Pillar 2 questionnaire

This data, supplemented by other relevant data, will be used to inform the intensity of our risk assessment of a firm, or its group, under the Supervisory Review and Evaluation Process (SREP). It will allow us to reduce supervisory time by helping us to identify those firms with a risk profile for which we will carry out additional individual or thematic work.

Valuation

For the general policy on valuation, please see the relevant provisions in the *EU CRR*.

Currency

You should report in the currency of your annual audited accounts i.e. in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

1B Does GENPRU 1.2 apply to your firm?

See the rules on Internal Capital Adequacy Assessment in the PRA Rulebook. The answer is either 'Yes' or 'No'.

Subsequent sections are only completed if the answer to 1B is 'Yes'.

2B How much capital do you consider adequate for the nature, scale and complexity of your firm's activities in line with its Internal Capital Adequacy Assessment Process (ICAAP)?

See 2.1 PRA Rulebook. Enter the figure in 000s.

3B What is the actual amount of capital resource that your firm holds at the accounting reference date?

See 2.1 PRA Rulebook. Enter the figure in 000s.

4B Have you documented your ICAAP?

See 13.1 PRA Rulebook. The answer is either 'Yes' or 'No'.

5B When did you last review the ICAAP?

See 3.4 PRA Rulebook. The answer should be in 'ddmmyy' format.

6B Have your external auditors audited your firm's financial statements in the last 12 months?

The answer 'Yes', 'No' or 'Not applicable'. Firms that have a small firm's exemption audit should choose 'not applicable'.

7B If so, has any audit opinion you received in the last year been qualified in any respect?

This question should only be answered if the response to data element 6B was 'Yes'. The answer to this question is either 'Yes' or 'No'.

8B What is the ratio of dealing errors in relation to the total number of transactions your firm has undertaken in the last 12 months?

See 3.1 PRA Rulebook. This figure should be a percentage to one decimal place.

9B Have you considered your firm's risk appetite when developing its ICAAP?

The answer is either 'Yes' or 'No'.

10B and 11B In your ICAAP, have you considered the impact of an economic downturn on your firm's financial capital, and your business plans?

See3.1 PRA Rulebook. The answer to each question is either 'Yes' or 'No'.

12A to 23A Is your firm exposed to the risks listed

See 3.1 PR Rulebook. The answer to each question is either 'Yes' or 'No'.

BIPRU limited activity firms and *BIPRU limited licence firms* that also have to consider a fixed overheads requirement should assess their capital requirements under each of the headings even though their fixed overheads requirement may be higher. *Data element* 23A should include not only any risks other than those separately identified above, but it should also include the *firm's* assessment of how much capital is required to cover the fixed overheads requirement.

12B to 23B If so, what is the amount of capital resource you have allocated to each of them?

For each answer in Column A that is 'Yes', enter the gross amount excluding any management action offsets in column B in 000s.

BIPRU limited activity firms and *BIPRU limited licence firms* should include in 23B their assessment of the capital required to cover the fixed overheads requirement. A firm may assess that capital to be allocated to cover the fixed overheads requirement is more than one quarter of their annual fixed overheads.

40B Have you calculated the cost of an orderly wind down of the firm's business?

The answer is either 'Yes' or 'No'. Examples of factors to consider include costs of transferring clients and any client assets, liquidating/closing any positions etc.

41B What length of time have you calculated it will take you to orderly wind down?

If the answer to data element 40B is 'Yes', enter the number of months here in digits. Examples of factors to consider include the time it takes to transfer clients and any client assets, liquidating/closing any positions etc.

42B What is the gross cost to your firm of a wind down?

If the answer to data element 40B is 'Yes', enter the amount here in 000s. This is the total cost of winding down excluding any offsets from revenue/income gained during the wind down period.

43B What is the net cost to your firm of a wind down?

If the answer to data element if 40B is 'Yes', enter the amount here in 000s. This is the total cost of winding down including any offsets from revenue/income gained during the wind down.

24B Does your firm have any professional indemnity insurance?

The answer is either 'Yes' or 'No'.

25B If so, what is the limit of the indemnity in the aggregate?

If the answer to data element 24B is 'Yes', enter the amount here in 000s.

26B What is the largest single claim that can be made on the insurance cover?

If the answer to data element 24B is 'Yes', enter the amount here in 000s.

44B What is the policy excess amount for any single claim?

If the answer to data element 24B is 'Yes', enter the amount here in 000s.

27B What is the credit rating of the lead underwriter?

Only answer if you answered 'Yes' to data element 24B. This is a text field to accept any value.

28B In your firm's ICAAP, do you take account of the results of stress tests?

The answer is either 'Yes' or 'No'.

29B Does your firm deduct illiquid assets as set out in GENPRU 2.2.17R to GENPRU 2.2.19R?

The answer is either 'Yes' or 'No'.

30B Does your firm have sufficient liquidity to meet your liabilities as they fall due in the circumstances of an orderly wind down?

See 3.1 PRA Rulebook. The answer is either 'Yes' or 'No'.

31B Report the amount of illiquid assets.

This number should be entered in integers.

32B Do you use credit risk mitigation techniques?

See 3.1 PRA Rulebook. The answer is either 'Yes' or 'No'.

33B If so, have you considered in your ICAAP the fact that those techniques may not fully work as anticipated?

This is only relevant if you answered 'Yes' to data element 32B. See 3.1 PRA Rulebook. The answer is either 'Yes' or 'No'.

34B Have you securitised assets in the last 12 months?

See 3.1 PRA Rulebook. The answer is either 'Yes' or 'No'.

35B Do you use an internal model to calculate your regulatory market risk?

. The answer is either ‘Yes’ or ‘No’.

36B If so, have you taken the results of the market risk stress tests in your ICAAP into account?

This is only relevant if you answered ‘Yes’ to data element 35B. The answer is either ‘Yes’ or ‘No’.

37B Report the result of a 200 basis point shock to interest rate on your firm’s economic value.

See 9.1 and 9.2 PRA Rulebook. Enter the figure in 000s.

38B Does the result of the above stress test exceed 20% of your capital resources?

See 9.2 PRA Rulebook. The answer to this is either ‘Yes’ or ‘No’.

39B Would the valuation adjustments required under GENPRU 1.3.35G enable you to sell out of hedge your firm’s positions within a short period without incurring material losses under normal market conditions?

The answer to this is either ‘Yes’ or ‘No’.

FSA019 – Pillar 2 questionnaire validations

Internal validations

There are no validations for this data item.

12 FSA038 – Volumes and Type of Business

Invested/uninvested funds

As far as possible, the amount reported should be a true reflection of the value of funds that are available to buy assets at the time of reporting, added to the value of the assets themselves. Funds 'in process' should not be included.

Discretionary/advisory clients

Firms should include any FUM relating to all investment management clients whether managed under a discretionary or an advisory arrangement.

Delegation and extent of delegation

(a) FUM should exclude the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated to another *firm* (and which *firm* will include the value of the assets in question in its own FUM total).

(b) However, the *firm* should include FUM where:

  (i) the *firm* to whom the management is delegated will not be reporting it – e.g. if it is not PRA-regulated, or is a non-UK firm; and

  (ii) the reporting *firm* has discretion over the delegation or retains the right to terminate an arrangement for third party asset management, and the reporting *firm* may either bring the management of that FUM back in-house or delegate it to another party.

(c) Funds under management should include the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated **to** the *firm* (including delegations from non appropriate regulator regulated and non-UK firms).

Valuation issues

As a general rule, *firms* should apply a consistent basis for valuation across the range of clients in respect of which they are reporting. *Firms* should be able to express and justify the basis of valuation they select and should, as far as possible, consistently apply the methodology, such that time-series analysis is meaningful.

The PRA is encouraged by the ongoing development of industry standards in relation to valuation and encourages reporters to make use of any relevant industry-agreed standards.

Debt gearing

The value of assets purchased through borrowing should be reported as FUM, including any cash amount available for investment as a result of debt gearing.

Value of derivatives

The value of derivative instruments and other assets is calculated as the fair value (i.e. on a mark-to-market basis). This is not the exposure value. If the *firm* is managing an overlay portfolio where the *firm* does not manage the underlying assets, the *firm* should report the combined fair value of the overlay and the underlying investment portfolio.

Double-counting

Firms should make all reasonable efforts to eliminate double-counting in the submission of sums. However, it is accepted that reporting on the basis of our guidance may in certain circumstances lead to the overstatement of FUM.

Timing of calculation

In respect of the timing for calculating of total FUM, we expect *firms* to collect and aggregate the information to base their reporting on within a reasonable timeframe. However, the valuation point used for any client should be the last mandatory valuation point and the total valuation should not include the sum of valuations that are more than 30 days apart.

Client/fund domicile

The value of all clients' assets, regardless of domicile, should be included in the calculation.

Private equity and venture capital business

In relation to *investment management firms* carrying out *venture capital business,* those firms should report that element of their total FUM by reference to the value of their *drawn down capital* plus any remaining committed but un-drawn investor capital and loans. All the preceding guidelines apply to reporting by these firms.

Description	**Data element**	**Guidance**
Total funds under management	1A	This should be reported by all firms with permission of *managing investments*.
Of which drawn down capital	5A	All *firms* carrying out *venture capital business* should report here the amount of *drawn down capital* included within data element 1A above.
Do you conduct *designated investment business* with or for retail clients?	3A	This data element in part helps us to differentiate between firms that have direct contact with retail clients in carrying on designated investment business services and firms which are operators, trustees or depositaries of Authorised Unit Trusts (AUTs), Open Ended Investment Companies (OEICs), Recognised schemes (RSs) and Unregulated collective investment schemes (UCISs) in which the unit/shareholders would be retail clients but the firms do not conduct designated investment business directly with or for them. So, a firm that is conducting designated investment business directly with or for an AUT, OEIC, RS or UCIS should, when answering the question in respect of those clients, have regard to how the AUT, OEIC, RS or UCIS has been classified by the firm and not the notional classification of the underlying unit/share holders. Clearly, where the firm has other clients, it will need to take into account their classification when answering the question. Where firms conduct non advised investment services (execution only services) for retail clients and are required to complete an

		appropriateness test (under MiFID) for a retail client in relation to a transaction or service, please be aware that the outcome of that appropriateness test does not alter the classification of that client.

What is the current approximate percentage of your clients are retail clients?	4A	The purpose of this data element is to give supervisors an indication of the make up of the firm's client base. Whilst it is accepted that this question does not demonstrate a firm's compliance with a particular rule, it will assist supervisors in understanding the level of potential risk facing a firm from those risks that are specific to activities with private customers/retail clients. Firms should be aware that the PRA is not expecting firms to able to determine an exact number of private customers/retail clients when answering this question, rather the PRA is asking for an approximate answer and is not explicitly or implicitly requiring firms to implement systems, or modify existing ones, to collate client classification and activity information. However, the PRA does expect firms to have adequate risk management systems and controls in place to manage their affairs and risks responsibly and would expect an authorised firm to be able to make a reasonable estimate in answer to this question within the bands specified. It is acknowledged that a client may have different accounts and be classified as a private customer/retail client in relation to one area of business and classified as an intermediate customer or market counterparty/professional client for another. It is acknowledged that this may lead to double counting of some clients between classifications. It is not envisaged that this situation will cause great anomalies in the information provided within the bands specified. The PRA will not expect firms to apply a stringent criteria to filter out customers that become inactive for the purpose of this question. The answer provided by the firm should, however reflect a firm's recent and ongoing activities. The PRA would expect a firm to have sufficient management information to be able to avoid a large discrepancy between the true current position and a distorted position through the inclusion of inactive clients, when answering this question.

FSA038 – Volumes and Type of Business validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data element	
1	2A	If 1A > 0, then ≥0, else 0
2	4A	If 3A = Yes, then ≥ 0, else, 0

13 FSA042 - UCITS

Description	**Data element**	**Guidance**
Do you operate one or more *UK* authorised *UCITS scheme*?	1A	That is, are you the *authorised fund manager* or *ACD* of at least one *UCITS scheme* that is authorised by the *appropriate regulator* (not simply notified under section 264 of the *Act*)?
Do you use derivatives in the UCITS scheme(s)?	2A	Handbook Glossary Definition: *Derivative:* a *contract for differences*, a *future* or an *option*.
Are you using derivatives for investment purposes?	3A	"Using derivatives for investment purposes" is a term with which we believe managers are familiar This term suggests that derivatives are not being used in pursuit of efficient portfolio management

FSA042 - UCITS validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data item	
1	2A	If 1A = No, then No
2	3A	If 2A = No, then No

14 FSA045 – IRB portfolio risk

Currency

You should report in the currency of your annual audited accounts i.e. in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s, to 3 decimal places.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

PiT, TTC or Hybrid PiT

This should be based on the firm's rating philosophy.

Point in Time (PiT): A rating system which explicitly estimates default risk over a fixed period, typically one year.

Through the Cycle (TTC): A rating system which seeks to take cyclical volatility out of the estimation of default risk by assessing a borrower's performance over the business cycle.

Hybrid PiT: A rating system which sits in-between the PiT and TTC rating systems described above.

Definition of default – number of days

The exact number of days past due that is applied to each asset class as part of the definition of default.

Credit risk

Gross exposure value

Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

Exposure at default estimate

Calculate in accordance with the EU *CRR* provisions relating to the IRB approach. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

PD – Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the long-run PD and take into account the 0.03% PD floor.

LGD – Loss given default

The ratio of the loss on an *exposure* due to the default of a counterparty to the amount outstanding at default, calculated in accordance with the *EU CRR* provisions relating to the IRB approach.. This should be the downturn LGD.

Expected loss

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach.

Risk weighted exposure amount

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach The SME-supporting factor according to Article 501 of the CRR should be excluded.

Counterparty credit risk

Gross exposure value

Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

Exposure at default estimate

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

PD – Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the long-run PD and take into account the 0.03% PD floor.

LGD – Loss given default

The ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the downturn LGD.

Expected loss

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach..

Risk weighted exposure amount

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach.

FSA045 – IRB portfolio risk validations

Internal validations

PD bands should be mutually exclusive and numerically sequential.

External validations

There are no validations for this data item.

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* liquidity flows. .

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR*. A *firm* not subject to the *EU CRR* should follow its applicable accounting standards.

All collateral, cash and related deposits segregated for the benefit of a *client* should be excluded from FSA047 irrespective of the accounting treatment used by the *firm*.

Currency

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Amounts should be entered in multiples of 1,000 of the relevant currency unit.

Completion in a material currency

Where a *firm* is completing this *data item* in a *material currency,* the *firm* should only report positions and flows denominated in the *material currency* in question. In the case of off balance sheet items reportable in Part 8 where contingent liabilities or commitments may be drawn in multiple currencies, a *firm* should report these in the base currency of that contingent liability or commitment. Any payments and receipts in the *material currency* resulting from foreign exchange and currency swap flows are reported on line 57. If this *data item* is not being reported in a *material currency*, line 57 is left blank.

Data elements

These are referred to by row first and then by column. So, *data element* 2B will be the element entered in row 2 and column B.

Note this *data item* requires the completion of daily flows for only a subset of the rows in FSA048 and a *firm* is only required to complete the *data elements* as outlined.

For the rows for which a *firm* is required to complete this *data item*, it should make entries in Column A for any daily flows of cash or securities on the day (not being a Saturday or Sunday) following the reporting date, such date being “Date +1”, and each day after that (not being a Saturday or a Sunday) in Column B onwards. If there are multiple flows on a single day these should be reported in a single Column.

The final Column required in this form is for the day (not being a Saturday or a Sunday) immediately prior to the earliest date a *firm* would report entries in Column F of FSA048. None of the information entered in rows in FSA047 will therefore overlap with any of the information entered in rows on FSA048 and vice versa.

Completion and submission to the appropriate regulator

A *firm* should complete this *data item* and report cash flows and security flows in the relevant time bands based on their residual contractual maturity. Asset flows should be entered according to their latest maturity. Liability cash flows should be entered according to their earliest possible date of outflow. Any flows or balances between entities included within the scope of the return should be eliminated in accordance with generally accepted accounting principles.

A *firm* should refer to the relevant Guidance Notes for FSA048 to complete the relevant *data elements* of this *data item*.

FSA047 time bands are defined by the reporting date and the application of the 'modified following' market convention, ignoring the existence of any non-settlement weekdays (bank holidays) in any currency.

FSA047 Daily Flows - Validation rules

Validation rules

No rule as cell can be zero, positive or negative.

15 FSA048 Enhanced Mismatch Report

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* liquidity mismatch positions. .

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR.* A *firm* not subject to the *EU CRR* should follow its applicable accounting standards.

All collateral, cash and related deposits segregated for the benefit of a *client* should be excluded from FSA048 irrespective of the accounting treatment used by the *firm*.

Currency

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Amounts should be entered in multiples of 1,000 of the relevant currency unit.

Completion in a material currency

Where a *firm* is completing this *data item* in a *material currency,* the *firm* should only report positions and flows denominated in the *material currency* in question. In the case of off balance sheet items reportable in Part 8 where contingent liabilities or commitments may be drawn in multiple currencies, a *firm* should report these in the base currency of that contingent liability or commitment. Any payments and receipts in the *material currency* resulting from foreign exchange and currency swap flows are reported on line 57. If this *data item* is not being reported in a *material currency*, line 57 is left blank.

Data elements

These are referred to by row first and then by column. So, *data element* 2B will be the element entered in row 2 and column B.

Completion

A *firm* should complete this *data item* and report cash flows in the relevant time bands based on their residual contractual maturity. Asset flows should be entered according to their latest maturity. Liability cash flows should be entered according to their earliest possible date of outflow. Any flows or balances between entities included within the scope of the return should be eliminated in accordance with generally accepted accounting principles.

FSA048 time bands are defined by the reporting date and the application of the 'modified following' market convention, ignoring the existence of any non-settlement weekdays (bank holidays) in any currency.

General

The completion table at the end of this chapter identifies the columns which should be populated in respect of each row of *data item* FSA048.

Part 1 Memo items

1 Non-dated capital resources

A *firm* should report here the amount of its *capital resources* which do not have a contractual maturity date, including, but not limited to, a call date. If any instrument comprising a *firm's capital resources* includes a put option for the holder or a call option for the issuer with a pre-determined step and call structure they should be reported in line 41 with a maturity date assuming the option is exercised. Any instrument where the *firm* has a perpetual open call option to buy back the instrument, with no underlying step up or predetermined call structure should be reported as non-dated capital resources.

A *firm* may use the most recent figures from its management accounts for the amount of reserves included within non-dated capital resources and update this *data element* on a monthly basis.

2 Bank of England liquidity facilities

A *firm* should report in this row the total of any secured transactions with the Bank of England.

The Bank of England conducts regular Open Market Operations to provide to the banking system the amount of central bank money needed to enable reserve-scheme members, in aggregate, to achieve their reserves targets and the Operational Standing Lending Facility to give certain banks a means to manage unexpected 'frictional' payments shocks. In *data element* 2B, a *firm* should report the cash received, if any, pursuant to the usage of these or similar Bank of England facilities.

The Bank of England operates facilities to provide liquidity insurance to the banking system, whereby a *firm* can exchange its own collateral for government bonds. In *data element* 2C, a *firm* should report the market value of government bonds it receives pursuant to such Bank of England facilities, if any, in exchange for the *firm's* own collateral.

The Bank of England may also operate other facilities whereby a *firm* may repo securities, distinct from Open Market Operations, such as longer-term repo operations, or operations in exchange for wider collateral. In *data element* 2D, a *firm* should report the cash, if any, received pursuant to the usage of such facilities.

3 Other central bank liquidity facilities

A *firm* should report in this row the total of any secured transactions with central banks other than the Bank of England, mapping such transactions to the following categories:

In *data element* 3B, a *firm* should report outstanding borrowings from other central banks in routine open market operations secured against narrow collateral.

In *data element* 3C, a *firm* should report the market value of any government bonds or other collateral of a comparable quality that it receives in exchange for the *firm's* lower quality collateral.

In *data element* 3D, a *firm* should report the cash received from all other central bank facilities, including those that are for a longer-term or against wider collateral than routine open market operations.

4 Prior period's peak intra-day collateral used for UK settlement and clearing systems

Firms that are direct participants of clearing and settlement systems within the U Kshould report here the peak amount of cash and collateral that they used on an intra-day basis to meet the requirements of clearing and settlement systems in the *U K* since their previous reporting date for this *data item*.

A *firm* should note that the amount to be reported in this *data element* should be the minimum amount of collateral it would have needed to post in order to meet its actual payment and settlement obligations as mandated by the requirements of the system(s) in question. It is not, therefore, the amount of collateral that was in fact posted by the *firm* which could include significant over-collateralisation.

Direct participation in settlement systems does not include intra-day floating charges associated with facilities provided by custodians to facilitate securities settlement.

5 Prior period's peak intra-day collateral used for settlement and clearing systems outside the UK

Firms that are direct participants of clearing and settlement systems outside the United Kingdom should report here the peak amount of cash and collateral that they used on an intra-day basis to meet the requirements of clearing and settlement systems outside the *United Kingdom* since their previous reporting date for this *data item*.

A *firm* should note that the amount to be reported in this *data element* should be the minimum amount of collateral it would have needed to post in order to meet its actual payment and settlement obligations as mandated by the requirements of the system(s) in question. It is not, therefore, the amount of collateral that was in fact posted by the *firm* which could include significant over-collateralisation.

Direct participation in settlement systems does not include intra-day floating charges associated with facilities provided by custodians to facilitate securities settlement.

Part 2 Security, transferable whole-loan and commodity flows

In this part of the *data item* a *firm* should report the current unencumbered stock of securities and their flows based on contractual maturities in the following types of securities by asset class:

(1) securities and commodities held on the *firm's* own account;

(2) securities and commodities held as *clients'* or other customers' assets in relation to which the *firm* has re-hypothecation rights;

(3) securities and commodities held by the *firm* as collateral pursuant to a *margin agreement*; and,

(4) transferable whole-loans held by the *firm* that meet the criteria set out below in relation to line 9

Contractual security flows will occur as a result of:

(1) the settlement or maturity of own account securities or certain loans;

(2) the settlement or maturity of a *repo*, reverse *repo*, securities loans or collateral swap; and

(3) collateralised lending and borrowing transactions;

A *firm* should report positions at their clean market value (i.e. excluding accrued interest) and assume the maturity date of any collateral is the latest contractual maturity date possible. For securities without contractual maturity dates, it should report a maturity flow in Column J “>5 years”.

The inflow of securities or position balance should be positive while contractual outflow or maturity should be negative. For example, if a *firm* were to purchase a four month security with a market value excluding accrued interest of £100m that it held unencumbered as at the reporting date it would report +100,000 in Column A and -100,000 in column F of the appropriate row 6 to 17.

Own-account security flows (long positions):

Any own-account securities should be reported as a positive flow in Column A if unencumbered or on the settlement date of purchase as appropriate; and as a negative flow at maturity.

A corresponding cash outflow on settlement date and inflow on maturity date should be reported on line 23.

Own-account security flows (short positions):

Any short sale of a security should be treated as having a negative flow on the settlement date of the sale and a positive flow on the maturity date of the underlying security sold.

A corresponding cash inflow on settlement date and outflow on maturity date should be reported on line 23.

Repos, reverse repos, securities loans and collateral swaps:

Repos, reverse repos, securities loans and collateral swaps should be reported as inflows on the date securities are received and outflows on the date securities are delivered. A *firm* should report all such transactions involving own account, client and margin collateral.

Tri-party repo and tri-party reverse repo transactions should be treated in the same manner as all other *repo* and reverse *repo* transactions. For the purpose of this *data item*, any such trade where the cash provider can unilaterally change the collateral eligibility criteria should be treated as having an overnight maturity, irrespective of the stated contractual maturity of the transaction.

In the case of a tri-party reverse repo, where the collateral provider has an option over the nature of the collateral provided, firms should report the actual collateral held on the reporting date, then on the earliest effective date of substitution, report that collateral leaving and an inflow of substitution collateral on a “worst case” basis, and assume that position will then remain unchanged until the maturity date of the transaction. Repo transactions should be reported on the basis of the actual collateral posted for the direction of the transaction.

Where a *firm* enters into forward-starting reverse repo transactions against unspecified collateral that would be reportable in more than one row, it should in the case of reverse repos, assume that it will be delivered collateral, as qualifying, in the following order: lines 17; 9 and 12; 10; 13 to 15; 16; 11; 8; 7; and 6. On settlement it should allocate securities flows based on the collateral it receives.

For similar repo transactions it may assume it delivers any securities it holds unencumbered that are eligible.

In the case of reverse repos and repos corresponding cash outflows and inflows should be reported in lines 25 to 30 and lines 34 to 39 as appropriate.

Margin collateral:

A *firm* should report the net collateral received as margin in Column A if it is unencumbered, and not report a flow for its maturity. Any repos, reverse repos, securities loans or collateral swaps using margin collateral should be reported as outlined above.

Client collateral:

A *firm* should report any client collateral over which it has rehypothecation rights in Column A if it is unencumbered, and not report a flow for its maturity. Any repos, reverse repos, securities loans or collateral swaps using *client* collateral should be reported as outlined above.

In relation to rows 6 to 17, . The description of which securities or loans should be reported in each row is as follows:

6 Liquid assets buffer-eligible securities

A *firm* should report in this row the unencumbered balances and the contractual securities flows of any securities it holds that qualify for inclusion in its liquid assets buffer as defined in *BIPRU* 12.7.

7 Other high quality central bank, supranational and central government debt

A *firm* should report in this row the unencumbered balances and the contractual securities flows of any securities not reported in line 6 or 8 whose obligor is a central government, *multilateral development bank* or central bank whose credit rating maps to *credit quality step* 2 or above in the *scale* published PRA for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)).

For the avoidance of doubt, any securities that are issued by an agency explicitly guaranteed by the US government and which qualify for inclusion in line 8 should be reported in that line and not in line 7.

8 US GSE/GSA securities

A *firm* should report in this row the unencumbered balances and the contractual securities flows of any senior securities that it holds issued by, or guaranteed by one or more of, the United States Government Sponsored Enterprises (GSEs) or Government Sponsored Agencies (GSAs).

For the purposes of this row, GSAs and GSEs include only the Federal Home Loan Banks, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Federal Farm Credit Banks and the Federal Agricultural Mortgage Corporation (Farmer Mac).

9 Own-name securities and transferable whole-loans

A *firm* should report in this row (i) the unencumbered balances and contractual securities flows of any own-name covered bonds and asset-backed securities that it holds secured by the *firm's* assets where the credit rating of such *exposures* has a credit rating associated with *credit quality step* 2 or above *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping (ii) the unencumbered balances and maturity flows of any whole-loans whose credit rating is associated with *credit quality step* 2 or above in the *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping where such *exposures* are held on the *firm*'s balance sheet for which there is no operational or contractual impediment to their being transferred to a third party.

Any own-name securities or whole-loans that do not qualify for inclusion on line 9 should not be reported elsewhere in part 2. Any repo collateralised using own-name securities or whole-loans that do not qualify to be reported in part 2 should be reported as an unsecured borrowing in part 6.

10 High quality asset-backed securities

A *firm* should report in this row the unencumbered balances and contractual securities flows of any asset backed securities that it holds where the credit rating of such *exposures* is associated with *credit quality step* 2 or above *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping, provided that such *exposure* is the most senior tranche of the issuing *securitisation special purpose entity*. All asset backed securities that are not included in this row should be reported in row 17.

For avoidance of doubt, a *firm* should exclude any unencumbered balances and securities flows of covered bonds in this row.

11 High quality covered bonds

A *firm* should report in this row the unencumbered balances and contractual securities flows of all covered bonds, where the credit rating of such *exposures* is associated with *credit quality step* 2 or above in the published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

For the avoidance of doubt, own-name covered bonds, and covered bonds issued by *group* entities should not be reported in this row, but in rows 9 and 12 respectively.

12 Securities issued by group entities

A *firm* should report in this row the unencumbered balances and security flows attributable to securities where the obligor of those securities forms part of the *firm's group* and where the issuing vehicle is excluded from the scope of the report. If the issuing vehicle is included in the scope of the report, the securities should be reported as own-name securities and reported on line 9, if:

(1) the securities are own-name covered bonds or asset-backed securities; or

(2) the credit rating of such *exposures* is associated with *credit quality step* 2 or above in the *t scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

If (1) or (2) are not met the securities should be omitted from this report.

For avoidance of doubt, if a *firm* holds bonds issued by its *group*, the security flows attributable to them should be included only in this row, even if such security would otherwise qualify for inclusion in another row in Part 2.

13 High quality corporate bonds (UK credit institutions)

A *firm* should report in this row the unencumbered balances and contractual securities flows of all senior corporate bonds that it holds whose obligor is a credit institution incorporated in the *United Kingdom,* if the credit rating of such *exposures* is associated with *credit quality step* 2 or above in the *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

For avoidance of doubt, a *firm* should not report in this row any balances or flows from securities whose obligor is a member of the *firm's group*.

14 High quality corporate bonds (non-UK credit institutions)

A *firm* should report in this row the unencumbered balances and contractual securities flows of all senior corporate bonds that it holds whose obligor is a credit institution not incorporated in the *United Kingdom,* if the credit rating of such *exposures* is associated with *credit quality step* 2 or above in the *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

For avoidance of doubt, a *firm* should not report in this row any balances or flows from securities whose obligor is a member of the *firm's group*.

In addition a firm should include any securities whose obligor is a local government , state or municipality in this line, whose credit rating is associated with credit quality step 2 or above in the scale published for the purpose of Article 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or credit quality step 1 in the case of short term mapping.

15 High quality corporate bonds (excluding credit institutions)

A *firm* should report in this row the unencumbered balances and contractual securities flows of all senior corporate bonds that it holds whose obligor is not a credit institution, if the credit rating of such *exposures* is associated with *credit quality step* 2 or above in the *scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

In addition a *firm* should include any securities whose obligor is a local government, state or municipality in this line, whose credit rating is associated with *credit quality step* 2 or above in the *t scale* published for the purpose of Articles 111-141 of the *EU CRR* (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step* 1 in the case of short-term mapping.

16 Equities included in major indices

A *firm* should report in this row the unencumbered balances and contractual securities flows of all equities that it holds to the extent they are constituents one or more of the relevant indices.

For the purposes of computing maturity, a *firm* should treat equity securities as if they were instruments with a contractual maturity greater than five years.

17 Other securities and commodities

A *firm* should report in this row unencumbered balances and the contractual securities flows of all other securities, commodities and exchange-traded funds that it holds not reported on lines 6 to 16 of this *data item*.

For the purposes of computing maturity, a *firm* should treat equity securities or commodities as if they were instruments with a contractual maturity greater than five years.

Part 3 Wholesale asset cash flows

In this Part of the *data item*, a *firm* should report the principal cash flows associated with its wholesale assets. Transactions which do not have a specific contractual maturity date should be entered in column A for rows 18 to 22 and column B for rows 25 to 30. Cash flows from outright sales, purchases and maturities associated with securities reported on line 6 may, at the *firm's* election, be reported either on line 25 or on line 23.

18 Designated money market funds

A *simplified ILAS BIPRU firm* should report in this row the balance of any funds it holds in a *designated money market fund. Firms* that are not *simplified ILAS BIPRU firms*, should report the balance of any funds held in a *designated money market fund* in row 31 below.

19 Liquid assets buffer-eligible central bank reserves and deposits

A *firm* should report in this row any closing balances placed on deposit or as reserves with a central bank, where such reserves or deposits are eligible for inclusion in a *firm's* liquid assets buffer as defined in *BIPRU* 12.7. Deposit placed or reserves maintained with other central banks should be reported in row 22.

20 Lending to group entities

A *firm* should report here all lending, except reverse repo transactions reportable in rows 25 to 30, on both a term and open-maturity basis to entities in that *firm's group*.

21 Lending to UK credit institutions

A *firm* should report here lending on both a term and open-maturity basis to all *credit institutions* incorporated in the *U K*, except reverse repo transactions reportable in rows 25 to 30. A *firm* should include any cash balances placed on deposit with its agents in payment or settlements systems if appropriate.

A *firm* should report cash flows based on their latest contractual maturity date.

22 Lending to non-UK credit institutions

A *firm* should report here lending on both a term and open-maturity basis to all *credit institutions* incorporated outside the *U K*, except reverse repo transactions reportable in rows 25 to 30. A *firm* should include any cash balances placed on deposit with its agents in payment or settlements systems and central bank deposits not reported in line 19, if appropriate.

23 Own account security cash flows

A *firm* should report here the cash flows, based on the contractual principal inflows, resulting from the maturity, forward sale or purchase of own account securities reportable in rows 6 to 8 & 10 to 17. Cash flows from outright sales, purchases and maturities associated with securities reported on line 6 may, at the *firm's* election, be reported here or on line 25.

Where a *firm* has written down the principal of a security it should report this written-down principal as the cash inflow.

A *firm* should report cash flows based on their latest contractual maturity date.

24 Notional flows of own-name securities and transferable whole-loans

A *firm* should report here the contractual principal cash flows that would be receivable by a third-party owner of any own-name covered bonds and asset-backed securities and transferable loans reported in line 9.

25 Reverse Repo (items reported in line 6)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions is reported in line 6.

Cash flows from outright sales, purchases and maturities associated with securities reported on line 6 may, at the *firm's* election, be reported here or on line 23.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in row 6.

26 Reverse Repo (items reported in lines 7 and 8)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions is reported in rows 7 and 8.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in rows 7 and 8.

27 Reverse Repo (items reported in lines 10 and 11)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions reported in rows 10 and 11.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in rows 10 and 11.

28 Reverse Repo (items reported in lines 13, 14 and 15)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions is reported in row 13 to 15.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in rows 13 to 15.

29 Reverse Repo (items reported in line 16)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions is reported in row 16.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in row 16.

30 Reverse Repo (items reported in lines 9, 12 and 17)

A *firm* should report here all cash flows resulting from secured lending transactions where the flow of securities arising from the transactions is reported in rows 9, 12 and 17.

A *firm* should only report in this row any secured lending transactions where securities flows are reported in rows 9, 12 and 17.

Part 4 Other asset cash flows

In this Part, a *firm* should report lending not reportable in Part 3. In column A, a *firm* should report any open maturity balances, or balances for which it does not have at the time of the reporting date information as to the term.

A *firm* should only report contractual principal repayments and treat all loans using their latest contractual maturity.

A *firm* is not required to update the amounts in rows 31 to 33 more frequently than monthly.

31 Non-retail lending exposures

A *firm* should report here the principal cash flows resulting from lending *exposures* that are not *retail exposures* not reported elsewhere in Parts 3 or 4. These assets represent loans to all enterprises.

32 Retail lending exposures

A *firm* should report here the principal cash flows resulting from all lending *exposures* that are *retail exposures*, provided that they are not reportable in line 33.

33 SSPE asset cash flows

A *firm* should report in here the principal cash flows of the underlying assets transferred to any *securitisation special purpose entities* (SSPEs), that are consolidated in the *firm's* consolidated financial statements and whose liabilities are reported on line 51.

Part 5 Repo cash flows

This part of the *data item* relates to the gross cash flows of secured or collateralised borrowing transactions which encumber the *firm's* securities or transferable whole-loans and/or those of its *clients* in relation to which the *firm* has re-hypothecation rights. This section is further sub-divided into rows 34 to 39 according to the security encumbered in these secured transactions.

34 Repo (items reported in line 6)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in row 6.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in row 6.

35 Repo (items reported in lines 7 and 8)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in rows 7 to 8.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in rows 7 to 8.

36 Repo (items reported in lines 10 and 11)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in rows 10 and 11.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in rows 10 and 11.

37 Repo (items reported in lines 13, 14 and 15)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in row 13 to 15.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in rows 13 to 15.

38 Repo (items reported in line 16)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in row 16.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in row 16.

39 Repo (items reported in lines 9, 12 and 17)

A *firm* should report here all cash flows resulting from secured borrowing transactions where the flow of securities arising from the transactions is reported in rows 9, 12 and 17.

A *firm* should only report in this row any secured borrowing transactions where securities flows are reported in rows 9, 12 and 17.

Part 6 Wholesale liability cash flows

In this Part of the *data item*, a *firm* should report cash flows arising from wholesale liabilities not reported in Part 5. A *firm's* wholesale liabilities are those liabilities not reported in Part 7.

Contractual cash flows related to any open-maturity, callable, puttable or extendable issuance should be analysed based on the earliest possible repayment date and reported in part 6 unless these instruments are perpetually callable (by the *firm*) and qualify as non-dated capital resources reported on line 1.

A *firm* should first assess whether a liability qualifies for reporting in row 44, then row 50, prior to assessing which other row a liability qualifies for.

Contractual cash flows from securities issued should be reported in one of lines 40 to 43 or 51. Contractual cash flows from deposits taken should be reported in one of lines 44 to 50.

40 Primary issuances – senior securities

A *firm* should report here the contractual cash flows of its vanilla senior unsecured debt securities, for the purposes of this row, vanilla means any debt security not reportable in row 41 to 43. A *firm* should include in this row any of its primary issuance that is government-guaranteed.

41 Primary issuances - dated subordinated securities

A *firm* should report here the contractual cash flows of its dated subordinated securities.

A *firm* should, however, exclude from this row any undated capital instrument that it issues. Issuance of this type should be reported in row 1 of this *data item*.

42 Primary issuance – structured notes

A *firm* should report here the contractual cash flows of its senior securities containing embedded *derivatives.*

43 Covered bonds

A *firm* should report here the contractual cash flows of its covered bonds excluding own-name covered bonds it holds for its own account and reports in line 9 of this *data item*.

44 Group entities

A *firm* should report here the contractual cash flows of its borrowing from other entities in its *group*, where such borrowings are not reported in lines 34 to 39.

To the extent the *rules* in the regulatory reporting part of the PRA Rulebook require a *firm* to report on a basis which includes other entities in its *group,* the *firm* should not report in this line borrowings from those *group* entities.

45 UK credit institutions

A *firm* should report here the contractual cash flows of its borrowing from other from *credit institutions* which are incorporated in the *United Kingdom*, where such borrowings are not reported in lines 34 to 44.

A *firm* should not include in this row unsecured cash deposits received from the Bank of England.

46 Non-UK credit institutions

A *firm* should report here the contractual cash flows of its borrowing from other from *credit institutions* which are not incorporated in the *United Kingdom*, where such borrowings are not reported in lines 34 to 44.

A *firm* should not include in this row unsecured cash deposits received from central banks other than the Bank of England.

47 Governments, central banks and supranationals

A *firm* should report here the contractual cash flows of its borrowing from central and local governments, local authorities, central banks and supra-nationals, where such borrowings are not reported in lines 34 to 44.

48 Non-credit institution financials

A *firm* should report here the contractual cash flows of its borrowing from financial entities which are not *credit institutions,* where such borrowings are not reported in lines 33 to 42.

This category would, for example, include unsecured borrowings from a *depositary* or an *investment manager*.

49 Non-financial large enterprises – Type A

A *firm* should report here the contractual cash flows of its borrowing from non-financial large enterprises, where such borrowings are not reported in lines 34 to 44, subject to the funds provider being Type A as assessed by the *firm* according to the guidance in *BIPRU* 12.5.

A non-financial large enterprise is, for the purpose of identifying depositors in rows 49 and 52 of this *data item*, any depositor-type not captured by rows 44 to 48 and 53 to 56.

50 Conditional liabilities pre-trigger contractual profile

A *firm* should report here the contractual cash flows of liabilities where early repayment can be triggered upon the occurrence of an event or events related to the financial health of the company, (for example, a downgrade of the *firm's* credit rating, or breach of a financial covenant). For avoidance of doubt, acceleration of payment obligations triggered by the *firm's* default does not, in and of itself, qualify a liability for inclusion in this line. A typical example of such liabilities is Guaranteed Investment Contracts (GICs).

Any liability with a trigger and which would otherwise be included in lines 40 to 49 should be included in this row and not any other row.

In addition to reporting in this line, a *firm* should further breakdown the liabilities where those triggers are dependent on its credit rating, in the appropriate *data element* on line 71.

51 SSPE liability cash flows

A *firm* should report here the contractual cash flows of liabilities issued by any *securitisation special purpose entities* (*SSPEs*) that are consolidated in the firm's consolidated financial statements. The maturity profile of the *firm's* assets contained in these SSPEs should be reported on row 33.

Part 7 Other liability cash flows

A *firm* should report in this section of the *data item*, cash flows related to other liabilities according to the following criteria.

52 Non-financial large enterprises – Type B

A *firm* should report here the contractual cash flows of its borrowing from non-financial enterprises, where such borrowings are not reported in lines 33 to 42, subject to the funds provider being Type B as assessed by the *firm* according to the guidance in *BIPRU* 12.5.

A non-financial enterprise is, for the purpose of identifying depositors in rows 49 and 52 of this *data item*, any depositor-type not captured by rows 44 to 48 and 53 to 56.

53 SME deposits

A *firm* should report in this row all its deposits and account balances where the account holder is a *small or medium enterprise* (*SME*). A *firm* should also report here deposits and account balances where the account holder is a partnership, a sole trader, or a charity which would be an SME if it were a company.

A non-EEA *firm* may use its local definition of an SME.

54 Retail Deposits – Type A

A *firm* should report in this row, its retail deposits that are Type A, as assessed by the *firm* according to the guidance for *ILAS BIPRU firms* and for *simplified ILAS firms* in *BIPRU* 12.5.25G.

A retail deposit is any deposit in a retail banking account or product type predominantly used by an individual or individuals acting outside their trade, industry or profession, and includes, in each case, savings bonds.

A *firm* should report all deposits in column A, unless the deposit is for a fixed term. In considering whether a deposit is fixed term, a *firm* should assume the immediate exercise of any notice period or other right of the depositor to claim the repayment of funds at the earliest possible repayment date.

55 Retail Deposits – Type B

A *firm* should report in this row, its retail deposits that are Type B, as assessed by the *firm* according to the guidance for *ILAS BIPRU firms* and for *simplified ILAS firms* in *BIPRU* 12.5.

A retail deposit is any deposit in a retail banking account or product type predominantly used by an individual or individuals acting outside their trade, industry or profession, and includes, in each case, savings bonds.

A *firm* should report all deposits in column A, unless the deposit is for a fixed term. In considering whether a deposit is fixed term, a *firm* should assume the immediate exercise of any notice period or other right of the depositor to claim the repayment of funds at the earliest possible repayment date.

56 Client / brokerage free cash

A *firm* should report here all cash balances which it has received from its prime brokerage/prime services *clients* and which are not segregated from the *firm's* own assets. A *firm* should not include *derivatives* margin cash in this row.

Balances should be reported in Column A without regard to their contractual maturity.

Part 8 - Off balance sheet flows and balances

A *firm* should report commitments given and received and contingent liabilities in rows 57 to 69.

A *firm* should separate its commitments and contingent liabilities according to:

(i) stand-by facilities, which would typically be used to backstop outstanding debt of the borrower; and,

(ii) other facilities which would typically be revolving loan facilities to corporate borrowers where utilisation rates will vary over time or letters of credit.

Unless either is reportable in rows 59 to 61, stand-by facilities provided should be reported in rows 62 or 63 and other facilities should be reported in row 64.

57 Principal FX cash flows (including currency swaps)

A *firm* should only make entries on this row where it is completing this *data item* on a non-consolidated *material currency* basis as defined in [SUP 16.], otherwise it should be left blank.

Where a *firm* is completing this *data item* on a *material currency* basis, it should report here all outright flows for its spot foreign exchange and foreign exchange forward transactions and all principal flows on any cross currency swaps, where those flows are payments or receipts of the *material currency* in which the *firm* is completing this *data item*.

For example, if a *firm* was completing this *data item* to show its contractual assets and liabilities denominated in *US dollars* and it had transacted a forward foreign exchange contract to **sell** $75m against the **purchase** of an equivalent amount of another currency four months after the reporting date, it would enter -75,000 in column F and make no other entries.

58 Committed facilities received

A *firm* should report the balance of any undrawn committed facilities received which the PRA has permitted it to rely on for the purposes of meeting its *individual liquidity guidance*, as outlined in *BIPRU* 12.9.

Facilities of this kind received by the *firm* should be reported as a positive balance in the column of maturity. Facilities maturing in less than three months should be reported in Column A.

59 Secured facilities provided - liquidity buffer securities

A *firm* should report here the undrawn balance of all committed facilities where the borrower is contractually required to deliver securities eligible for inclusion in the *firm's* liquid assets buffer as defined in *BIPRU* 12.7 and where the market value of those securities will exceed the amount of the loan drawn down.

Note a *firm* should only report committed facilities in this row if there is no impediment to using the securities deliverable under such borrowings for repo transactions.

60 Secured facilities provided - other securities

A *firm* should report here the undrawn balance of all committed facilities where the borrower is contractually required to deliver securities not eligible for inclusion in the *firm's* liquid assets buffer as defined in *BIPRU* 12.7.

Note a *firm* should only report committed facilities in this row if there is no impediment to using the securities deliverable under such borrowings for repo transactions.

61 Unsecured facilities provided - credit institutions

A *firm* should report here the balance of any undrawn committed financing facilities provided by the *firm* to *credit institutions* not reported on lines 59 and 60. Facilities of this kind provided to *credit institutions* should be reported as a negative balance.

62 Unsecured stand-by facilities provided - firm's SSPEs

A *firm* should report here undrawn balance of any committed stand-by facilities provided to the *firm's* SSPEs that are consolidated in its consolidated financial statements.

The assets and liabilities, if any, of these SSPEs will be reported on lines 33 and 51 respectively.

63 Unsecured stand-by facilities provided – entities other than credit institutions and firm's SSPEs

A *firm* should report here the undrawn balance of committed stand-by facilities to entities other than *credit institutions* and the *firm's SSPE's*. Facilities provided should be reported as a negative balance.

64 Unsecured facilities provided by firm's SSPEs to third parties

A *firm* should report here the undrawn balance of any committed facilities provided to third parties by *SSPEs* that are consolidated in its consolidated financial statements and whose assets and liabilities, if any, are reported on lines 33 and 51.

65 Unsecured facilities provided – entities other than credit institutions

A *firm* should report here the undrawn balance of other committed facilities provided to entities other than credit institutions.

Any facilities provided to *credit institutions* and/or secured against securities reportable in Part 2 of this *data item* should be reported on lines 59 to 61 as appropriate.

66 Overdraft and credit card facilities provided

A *firm* should report here the total balance of undrawn retail overdrafts and credit cards facilities provided to retail customers. Facilities provided should be reported as a negative balance.

67 Pipeline Lending Commitments

A *firm* should report here the total balance of any lending commitments to retail customers. A *firm* should only report contractual lending commitments which, if and when exercised, would be reportable in line 32.

68 Contingent obligations to repurchase assets financed through third parties

A *firm* should report here the balance of any of the *firm's* assets financed by third parties, where a *firm* has a contingent obligation to repurchase those assets triggered by deterioration in the *firm's* financial condition.

69 Other commitments and contingent facilities provided

A *firm* should report here all other undrawn commitments, guarantees and contingent liabilities not included elsewhere in Part 8.

Part 9 Downgrade triggers

For the purpose of rows 70 to 73, a *firm* should analyse and report, in the way described, in each of those rows any contractual outflows that would result from a downgrade of the *firm*'s current long-term credit rating. A *firm* should consider downgrades of all its long-term counterparty, issuer and debt credit ratings.

A *firm* should assume that each *ECAI* that provides it with a long-term credit rating simultaneously downgrades that rating.

In addition a *firm* should consider the impact of a downgrade of its short-term credit rating. As *ECAIs* may not publish when a specific downgrade of a *firm's* long-term credit rating would result in a downgrade of a *firm's* short-term credit rating, a *firm* should assume its short-term credit rating would be downgraded at the highest long-term rating specified by each agency as being consistent with publically available information.

A *firm* should report such outflows on a non-cumulative basis in the appropriate column according to the severity of the downgrade that would cause such an outflow.

For the purpose of identifying which of columns B to K this Part of the *data item* a "notch" is the smallest discrete step by which a *firm's* long-term credit rating may be downgraded.

70 Asset put-backs from third parties

A *firm* should analyse and report here the outflows that may result from asset put-backs which would be triggered by a downgrade of its existing long and short-term credit rating according to the methodology outlined above.

The triggers for asset put-backs include but are not limited to:

(1) as past originator of assets the downgrade of the *firm's* credit rating now precludes the continued financing of the assets in the structured vehicle;

(2) as a swap provider against the assets placed in the vehicle the downgrade of the *firm's* credit rating now renders the *firm* ineligible to continue providing any *derivatives* (e.g. including but not limited to credit default swaps or total return swaps) to the structured vehicle. For the avoidance of doubt, if a *firm* was required to margin this exposure, it would be reported in line 70; and

(3) the rating of the assets placed is linked to the rating of the *firm*; following a downgrade of the *firm* these assets are ineligible for continued financing by the third party vehicle.

71 Conditional Liabilities

A *firm* should analyse and report here the cash flow impact of a downgrade of its existing credit rating according to the methodology outlined above, on its conditional liabilities reported in row 50.

72 Over the counter (OTC) derivative triggers

A *firm* should analyse and report here any outflows that would be triggered by a downgrade of its credit rating according to the methodology outlined above.

A *firm* should include in this row the impact of increased collateralisation requirements and any termination payments.

73 Other contingent liabilities

A *firm* should report in this row, any other contractual outflows that would occur from the downgrade of its credit rating according to the methodology outlined above.

Part 10 Derivatives margining and exposure

Figures reported in rows 74 to 77 relate to any variation and initial margin given or received in respect of *derivatives* transactions. A *firm* should report together figures for own account and client accounts but exclude any margin (cash or collateral) segregated for the benefit of a *client* and any subsequent placement of segregated margin.

For each row, a *firm* should report:

(1) In column B, the nominal amount of cash collateral given or received as initial plus variation margin;

(2) In column C, the market value of collateral securities given or received as initial plus variation margin;

(3) In column E, the initial margin paid or received;

(4) In column G, the mark-to-market exposure of underlying *derivatives* transactions that are currently subject to margining for all or part of the exposure; and

(5) In column H, the mark-to-market exposure of underlying *derivatives* transactions that are currently not subject to margining for any portion of the exposure.

Where a *firm* gives or receives initial margin on a net basis across *derivative* and non-*derivative* transactions, it should report the total amount in Column E without regard to the underlying transaction.

Margin and mark-to-market receivables should be reported with a positive sign while margin received and mark-to-market payables should be reported with a negative sign.

A *firm* should report the gross margin balances received or given by counterparty, e.g. if a *firm* transacts OTC derivatives with two counterparties, from one of which it has received cash collateral as margin of £25m and to the other of which it has paid cash collateral of margin to of £20m, it should report +20,000 in *data element* 72B and -25,000 in *data element* 74B, it should not report a net figure of -5,000 in 74B

74 OTC derivative margin given

A *firm* should report here cash and collateral margin given and mark-to-market on margined *OTC derivatives*.

75 Exchange traded margin given

A *firm* should report here cash and collateral margin given on exchange traded *derivatives*.

76 OTC derivative margin received

A *firm* should report here cash and collateral margin received and mark-to-market on margined *OTC derivatives*.

77 Exchange traded margin received

A *firm* should report here cash and collateral margin received on exchange traded *derivatives*.

Part 11 Assets included in Part 2 held under re-hypothecation rights

Rows 78 to 89 relate to securities reported in Part 2 of this *data item*, held as *clients'* assets or net **derivatives** margin collateral received in relation to which the *firm* has re-hypothecation rights. Row 81 is intentionally left blank.

The definitions of securities reported in rows 78 to 89 are the identical to those in rows 6 to 17 inclusive.

Amounts in lines 78 to 89 should be reported as positive numbers.

FSA048 Enhanced mismatch report - Validation rules

Validation number	Data element		
1	2B	>=	0
2	2C	>=	0
3	2D	>=	0
4	3B	>=	0
5	3C	>=	0
6	3D	>=	0
7	4A	>=	0
8	5A	>=	0
9	6A	>=	0
10	7A	>=	0
11	8A	>=	0
12	9A	>=	0
13	10A	>=	0
14	11A	>=	0
15	12A	>=	0
16	13A	>=	0
17	14A	>=	0
18	15A	>=	0
19	16A	>=	0
20	17A	>=	0
21	18A	>=	0
22	19A	>=	0
23	31A+31C+31D+31E+31F+31G+31H+31I+31J	>=	0

24	32A+32C+32D+32E+32F+32G+32H+32I+32J	>=	0
25	33A+33C+33D+33E+33F+33G+33H+33I+33J	>=	0
26	52A+52C+52D+52E+52F+52G+52H+52I+52J	<=	0
27	53A+53C+53D+53E+53F+53G+53H+53I+53J	<=	0
28	54A+54C+54D+54E+54F+54G+54H+54I+54J	<=	0
29	55A+55C+55D+55E+55F+55G+55H+55I+55J	<=	0
30	56A	<=	0
31	58A+58C+58D+58E+58F+58G+58H+58I+58J	>=	0
32	59A	<=	0
33	60A	<=	0
34	61A	<=	0
35	62A	<=	0
36	63A	<=	0
37	64A	<=	0
38	65A	<=	0
39	66A	<=	0
40	67A	<=	0
41	68A	<=	0
42	69A	<=	0
43	Each cell in row 70 (70B to 70K)	<=	0
44	Each cell in row 71 (71B to 71K)	<=	0
45	Each cell in row 72 (72B to 72K)	<=	0
46	Each cell in row 73 (73B to 73K)	<=	0
47	74B	>=	0
48	74C	>=	0
49	74E	>=	0
50	74G	<=	0

51	74H	<=	0
52	75B	>=	0
53	75C	>=	0
54	75E	>=	0
55	76B	<=	0
56	76C	<=	0
57	76E	<=	0
58	76G	>=	0
59	76H	>=	0
60	77B	<=	0
61	77C	<=	0
62	77E	<=	0
63	78A	>=	0
64	79A	>=	0
65	80A	>=	0
66	82A	>=	0
67	83A	>=	0
68	84A	>=	0
69	85A	>=	0
70	86A	>=	0
71	87A	>=	0
72	88A	>=	0
73	89A	>=	0

Cross validation rules for FSA047 and FSA048 (combined)

Validation number	Data element		
1	FSA048(6A) + FSA048(6B) + FSA047(6A+6B+6C+-----+6n) +FSA048(6F) +FSA048(6G)+FSA048(6H)+FSA048(6I) +FSA048(6J)-FSA048(78A)	=	0
2	FSA048(7A) + FSA048(7B) + FSA047(7A+7B+7C+-----+7n) +FSA048(7F) +FSA048(7G)+FSA048(7H)+FSA048(7I) +FSA048(7J)-FSA048(79A)	=	0
3	FSA048(8A) + FSA048(8B) + FSA047(8A+8B+8C+-----+8n) +FSA048(8F) +FSA048(8G)+FSA048(8H)+FSA048(8I) +FSA048(8J)-FSA048(80A)	=	0
4	FSA048(9A) + FSA048(9B) + FSA047(9A+9B+9C+-----+9n) +FSA048(9F) +FSA048(9G)+FSA048(9H)+FSA048(9I) +FSA048(9J)	=	0
5	FSA048(10A) + FSA048(10B) +FSA047(10A+10B+10C+-----+10n) +FSA048(10F)+FSA048(10G)+FSA048(10H)+FSA048(10I) +FSA048(10J)-FSA048(82A)	=	0
6	FSA048(11A) + FSA048(11B) +FSA047(11A+11B+11C+-----+11n) +FSA048(11F)+FSA048(11G)+FSA048(11H)+FSA048(11I) +FSA048(11J)-FSA048(83A)	=	0
7	FSA048(12A) + FSA048(12B) +FSA047(12A+12B+12C+-----+12n) +FSA048(12F)+FSA048(12G)+FSA048(12H)+FSA048(12I) +FSA048(12J)-FSA048(84A)	=	0
8	FSA048(13A) + FSA048(13B) +FSA047(13A+13B+13C+-----+13n) +FSA048(13F)+FSA048(13G)+FSA048(13H)+FSA048(13I) +FSA048(13J)-FSA048(85A)	=	0
9	FSA048(14A) + FSA048(14B) +FSA047(14A+14B+14C+-----+14n) +FSA048(14F)+FSA048(14G)+FSA048(14H)+FSA048(14I) +FSA048(14J)-FSA048(86A)	=	0
10	FSA048(15A) + FSA048(15B) +FSA047(15A+15B+15C+-----+15n) +FSA048(15F)+FSA048(15G)+FSA048(15H)+FSA048(15I) +FSA048(15J)-FSA048(87A)	=	0
11	FSA048(16A) + FSA048(16B) +FSA047(16A+16B+16C+-----+16n) +FSA048(16F)+FSA048(16G)+FSA048(16H)+FSA048(16I) +FSA048(16J)-FSA048(88A)	=	0
12	FSA048(17A) + FSA048(17B) +FSA047(17A+17B+17C+-----+17n) +FSA048(17F)+FSA048(17G)+FSA048(17H)+FSA048(17I) +FSA048(17J)-FSA048(89A)	=	0
13	FSA048(20A) + FSA047(20A+20B+20C+------+20n) + FSA048(20F) + FSA048(20G) + FSA048(20H) + FSA048(20I) + FSA048(20J)	>=	0

14	FSA048(21A) + FSA047(21A+21B+21C+------+21n) + FSA048(21F) + FSA048(21G) + FSA048(21H) + FSA048(21I) + FSA048(21J)	>=	0
15	FSA048(22A) + FSA047(22A+22B+22C+------+22n) + FSA048(22F) + FSA048(22G) + FSA048(22H) + FSA048(22I) + FSA048(22J)	>=	0
16	FSA047(24A+24B+24C+------+24n) + FSA048(24F) + FSA048(24G) + FSA048(24H) + FSA048(24I) + FSA048(24J)	>=	0
17	FSA048(25B) + FSA047(25A+25B+25C+------+25n) + FSA048(25F) + FSA048(25G) + FSA048(25H) + FSA048(25I) + FSA048(25J)	>=	0
18	FSA048(26B) + FSA047(26A+26B+26C+------+26n) + FSA048(26F) + FSA048(26G) + FSA048(26H) + FSA048(26I) + FSA048(26J)	>=	0
19	FSA048(27B) + FSA047(27A+27B+27C+------+27n) + FSA048(27F) + FSA048(27G) + FSA048(27H) + FSA048(27I) + FSA048(27J)	>=	0
20	FSA048(28B) + FSA047(28A+28B+28C+------+28n) + FSA048(28F) + FSA048(28G) + FSA048(28H) + FSA048(28I) + FSA048(28J)	>=	0
21	FSA048(29B) + FSA047(29A+29B+29C+------+29n) + FSA048(29F) + FSA048(29G) + FSA048(29H) + FSA048(29I) + FSA048(29J)	>=	0
22	FSA048(30B) + FSA047(30A+30B+30C+------+30n) + FSA048(30F) + FSA048(30G) + FSA048(30H) + FSA048(30I) + FSA048(30J)	>=	0
23	FSA048(34B) + FSA047(34A+34B+34C+------+34n) + FSA048(34F) + FSA048(34G) + FSA048(34H) + FSA048(34I) + FSA048(34J)	<=	0
24	FSA048(35B) + FSA047(35A+35B+35C+------+35n) + FSA048(35F) + FSA048(35G) + FSA048(35H) + FSA048(35I) + FSA048(35J)	<=	0
25	FSA048(36B) + FSA047(36A+36B+36C+------+36n) + FSA048(36F) + FSA048(36G) + FSA048(36H) + FSA048(36I) + FSA048(36J)	<=	0
26	FSA048(37B) + FSA047(37A+37B+37C+------+37n) + FSA048(37F) + FSA048(37G) + FSA048(37H) + FSA048(37I) + FSA048(37J)	<=	0
27	FSA048(38B) + FSA047(38A+38B+38C+------+38n) + FSA048(38F) + FSA048(38G) + FSA048(38H) + FSA048(38I) + FSA048(38J)	<=	0
28	FSA048(39B) + FSA047(39A+39B+39C+------+39n) + FSA048(39F) + FSA048(39G) + FSA048(39H) + FSA048(39I) + FSA048(39J)	<=	0
29	FSA047(40A+40B+40C+------+40n) + FSA048(40F) + FSA048(40G) + FSA048(40H) + FSA048(40I) + FSA048(40J)	<=	0
30	FSA047(41A+41B+41C+------+41n) + FSA048(41F) + FSA048(41G) + FSA048(41H) + FSA048(41I) + FSA048(41J)	<=	0
31	FSA047(42A+42B+42C+------+42n) + FSA048(42F) + FSA048(42G) + FSA048(42H) + FSA048(42I) + FSA048(42J)	<=	0

32	FSA047(43A+43B+43C+------+43n) + FSA048(43F) + FSA048(43G) + FSA048(43H) + FSA048(43I) + FSA048(43J)	<=	0
33	FSA048(44A) + FSA047(44A+44B+44C+------+44n) + FSA048(44F) + FSA048(44G) + FSA048(44H) + FSA048(44I) + FSA048(44J)	<=	0
34	FSA048(45A) + FSA047(45A+45B+45C+------+45n) + FSA048(45F) + FSA048(45G) + FSA048(45H) + FSA048(45I) + FSA048(45J)	<=	0
35	FSA048(46A) + FSA047(46A+46B+46C+------+46n) + FSA048(46F) + FSA048(46G) + FSA048(46H) + FSA048(46I) + FSA048(46J)	<=	0
36	FSA048(47A) + FSA047(47A+47B+47C+------+47n) + FSA048(47F) + FSA048(47G) + FSA048(47H) + FSA048(47I) + FSA048(47J)	<=	0
37	FSA048(48A) + FSA047(48A+48B+48C+------+48n) + FSA048(48F) + FSA048(48G) + FSA048(48H) + FSA048(48I) + FSA048(48J)	<=	0
38	FSA048(49A) + FSA047(49A+49B+49C+------+49n) + FSA048(49F) + FSA048(49G) + FSA048(49H) + FSA048(49I) + FSA048(49J)	<=	0
39	FSA048(50A) + FSA047(50A+50B+50C+------+50n) + FSA048(50F) + FSA048(50G) + FSA048(50H) + FSA048(50I) + FSA048(50J)	<=	0
40	FSA048(51A) + FSA047(51A+51B+51C+------+51n) + FSA048(51F) + FSA048(51G) + FSA048(51H) + FSA048(51I) + FSA048(51J)	<=	0

16 FSA050 Liquidity Buffer Qualifying Securities

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* unencumbered assets eligible for inclusion in its liquid assets buffer as defined in *BIPRU* 12.7. .

A *firm* should complete this *data item* for each of the securities reported in column A, row 6 in Part 2 of FSA048.

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR*. A *firm* not subject to the *EU CRR* should follow its applicable accounting standards.

Currency

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Amounts should be entered in multiples of 1,000 of the relevant currency unit.

General

A *firm* reports unencumbered holdings of securities eligible for inclusion in its liquid assets buffer in column A, row 6 in Part 2 of FSA048. A *firm* should report in this *data item* a further breakdown by issuer of those securities.

Data elements

These are referred to by row first, and then by column, so *data element* 2B will be the element numbered 2 in column B.

Completion

A *firm* should complete this *data item* on a contractual basis irrespective of whether the position in question is held in the banking book or *trading book*.

A *firm* should report the clean market value of unencumbered securities held in its liquid assets buffer, according to the issuer in rows 1 to 24.

A *firm* should only report balances in row 24 to the extent that it has unencumbered securities delivered under reverse repo transactions where it cannot identify the issuer, but that all eligible issuers would qualify for inclusion in the liquid assets buffer as defined in *BIPRU* 12.7.

FSA050 Liquidity Buffer Qualifying Securities – validation rules

Internal Validation rules

No rule as column A can be zero, positive or negative.

Cross validation rules between FSA048 and FSA050

(General note: cross validation rule should be applied only when the returns under consideration are for the same reporting date)

Validation number	Data element		
1	FSA050(1A) + FSA050(2A)+FSA050(3A)+------ +FSA050(23A)+FSA050(24A)	=	FSA048(6A)

17 FSA051 Funding Concentration

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* funding concentrations. .

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR*. A *firm* not subject to the *EU CRR* should follow its applicable accounting standards.

Currency

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

General

This *data item* provides information on funding concentration risk of the *firm*.

Data elements

These are referred to by row first, and then by column, so *data element* 2B will be the element numbered 2 in column B.

Completion

A *firm* should complete this *data item* on a contractual basis irrespective of whether the position in question is held in the banking book or *trading book*.

The following fields are required for each row on this *data item*.

Column A Counterparty

A *firm* should report the identity of the ultimate parent of the entity which provides the *firm* with funding. As an example, where a *firm* raises funding from various entities that are each members of the same *group*, the *firm* should aggregate all such amounts and attribute them to the ultimate parent.

However, a *firm* should distinguish between entities in a *group* investing their own funds and funds which they invest on behalf of others, for example, as a fiduciary. If a fiduciary money manager provides funding to the *firm,* such amounts should not be aggregated outside the entity which holds the fiduciary responsibility for managing the funds. For example, if a Bank XYZ provides funding of £50m to the *firm* and it asset management subsidiary provides funding of £100m from a one or more fiduciary accounts, the *firm* should report this as two sources of funding in separate rows.

Where there is a lack of clarity about the ultimate parent to which funding should be attributed, a *firm* should complete this column of this *data item* on a “best efforts” basis.

Column B Amount

Amounts should be entered in multiples of 1,000 of the relevant currency unit.

A *firm* should report the total amount of funding received from the counterparty identified in Column A.

Column C Weighted average residual maturity

A *firm* should report figures in this column in months rounded to one decimal place.

In relation to each counterparty identified in column A, a *firm* should report the weighted average remaining maturity of funding provided by that counterparty and by any other counterparty in that counterparty's *group* which is reported in column B. An example of this would be the following: XYZ Bank receives funding from two ABC Bank group entities. These are aggregated into one line. One ABC Bank entity provides 50% of the funding with 3 months remaining to maturity, while the other ABC Bank entity provides 50% of the funding with 6 months remaining to maturity, producing a weighted average remaining maturity of 4.5 months.

Part 1 Wholesale deposits

In this part of the *data item* the *firm* should analyse and report the counterparties responsible for the 30 largest concentrations of deposits reported in lines 45 to 50 inclusive of FSA047 and FSA 048.

Part 2 Repo funding

In this part of the *data item* a *firm* should analyse and report the counterparties responsible for the 30 largest concentrations of repo funding as reported in Part 5 of FSA047 and FSA 048.

FSA051 Funding Concentration – validation rules

Internal Validation rules

Validation number	Data element		
1	Each cell in column B	>=	0
2	Each cell in column C	>=	0

18 FSA052 Pricing Data

The purpose of this *data item* is to record details relating to the average transaction volume of, and prices which the *firm* pays for, certain of its wholesale liabilities.

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR*. A *firm* not subject to the *EU CRR*, should follow its applicable accounting standards.

Currency

A *firm* should report any wholesale liabilities denominated in sterling in rows 1 to 4, in US dollars in rows 5 to 8 and in euro in rows 9 to 12. A *firm* does not need to report liabilities denominated in any other currency in this *data item*.

Spreads should be reported as a percentage, rounded to two decimal places and volumes should be reported in multiples of 1,000's.

Data elements

These are referred to by row first, and then by column, so *data element* 2B will be the element numbered 2 in column B.

Completion

A *firm* should complete this *data item* on a contractual basis based on the trade date of the liability in question, recording all relevant liabilities issued during the reporting period.

General

There are three different pieces of information required about each type of liability reportable in this *data item*:

(1) average spread paid;

(2) volume raised; and

(3) maturity of the liability.

For the purpose of this *data item*, a *firm* should report the liabilities of the following types in the relevant rows for the currency

(i) Cash deposits

A *firm* should report all fixed term cash deposits reportable in lines 45 to 49 of FSA047 and FSA 048 in row 1 if denominated in GBP, in row 5 if denominated in USD or in row 9 if denominated in EUR.

(ii) Senior unsecured securities

A *firm* should report all senior unsecured securities issued reportable in line 40 of FSA047 and FSA 048 in row 2 if denominated in GBP, in row 6 if denominated in USD or in row 10 if denominated in EUR.

(iii) Covered Bonds

A *firm* should report all covered bonds encumbering the *firm's* own assets the issuance of which would be reportable in line 43 of FSA047 and FSA 048 in row 3 if denominated in GBP, in row 7 if denominated in USD or in row 11 if denominated in EUR.

(iv) Asset-backed securities (including ABCP)

A *firm* should report all debt issued by the *firm's* SSPEs as reported on line 51 of FSA047 and FSA 048. A *firm* should report such liabilities in row 4 if denominated in GBP, in row 8 if denominated in USD or in row 12 if denominated in EUR.

<u>Weighted Average Spread and Volume Analysis:</u>

A *firm* should report the weighted average spread paid and volume data in the following maturity bands, according to the maturity of the instrument issued:

(1) ≥ 1 month ≤ 3 months in columns A and B;

(2) > 3 months ≤6 months in columns C & D;

(3) > 6 months ≤ 1 year in columns E & F;

(4) > 1 year ≤ 2 years in columns G & H;

(5) > 2 years in columns I & J.

For the purposes of this *data item*, a *firm* should ignore the time period between trade date and settlement date in calculating the maturity of a liability, e.g. a three month liability settling in two weeks time would, for the purposes of this *data item*, be considered as having a three month maturity and be reported in columns A & B.

In relation to each instrument of a type identified in this *data item* and issued by the *firm* or the *firm's* SSPEs, it should report:

(1) the volume issued; and

(2) the average spread paid (weighted by volume).

For the purposes of reporting the volume of liabilities issued, a *firm* should sum the net proceeds of each liability in the relevant maturity band according to the applicable currency.

For the purpose of reporting the average spread paid, a *firm* should report:

(1) for an instrument with an original maturity of less than or equal to one year, the spread payable by the *firm* for that liability, if it were to have been swapped to the benchmark overnight index for the appropriate currency no later than close of business on the day of the transaction, and;

(2) for an instrument with an original maturity in excess of one year, the spread at issuance were it to be swapped to the relevant benchmark floating three month LIBOR for GBP and USD and EURIBOR for EUR, no later than close of business on the day of the transaction.

For the purposes of calculating the average spread paid a *firm* should calculate the all-in cost in the currency of issue ignoring any FX swap, but including any premium or discount and fees payable or receivable, with the term of any theoretical or actual interest rate swap matching the term of the liability. The spread is the liability rate minus the swap rate.

FSA052 Pricing data – validation rules

Internal Validation rules

Validation number	Data element		
1	Each cell in columns B	>=	0
2	Each cell in columns D	>=	0
3	Each cell in columns F	>=	0
4	Each cell in columns H	>=	0
5	Each cell in columns J	>=	0

19 FSA053 Retail, SME and Large Enterprises Type B Funding

The purpose of this *data item* is to record details relating to a *firm's* retail accounts and non-credit sensitive corporate accounts.

Valuation

Except where outlined, a *firm* should follow the relevant provisions of the *EU CRR*. A *firm* not subject to the *EU CRR*, should follow its applicable accounting standards.

Currency

All figures should be entered in multiples of 1,000 of the relevant currency unit.

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Data elements

These are referred to by row first, and then by column, so *data element* 2B will be the element numbered 2 in column B.

Completion

A *firm* should complete this *data item* on a contractual basis based on an analysis of the *firm's* balance sheet on the reporting date in question.

General

A *firm* should report in Column A the outstanding balance at the close of business of the final business day of the month for which the *data item* is submitted, in each category of account identified in this *data item*.

Part 1 Retail deposits (type A and type B)

A *firm* should report information related to the retail accounts reported in lines 54 and 55 of FSA048 in rows 1 to 5 of Part 1 of this *data item*.

A *firm* should report Type A balances in Column A of Part 1 and Type B balances in Column B.

1 Current and/or transactional accounts

A *firm* should report here the total balances of retail deposits held in instant access current and/or transactional accounts. Transactional accounts are those used to process transactions such as day-to-day outgoings, salary and bill payments.

2 Tax-advantaged savings accounts

A *firm* should report here the total balances of cash deposits held in ISA or other tax-advantaged accounts.

3 On demand or instant access accounts

A *firm* should report here the total balances of any remaining instant access retail accounts not reported in lines 1 & 2 of this *data item*.

4 Fixed term accounts

A *firm* should report here the total balances of all retail deposits held in fixed term deposit accounts in relation to which a depositor is unable to access their deposit prior to its contractual maturity.

5 Fixed notice accounts

A *firm* should report here the total balances of all retail deposits held in fixed notice deposit accounts in relation to which a depositor can:

- require the early repayment of an otherwise fixed term deposit by paying an early access charge; or,
- require the repayment of a deposit by giving a specified notice period.

Part 2 SME and large enterprises Type B

A *firm* should report information related to the SME and Large financial Enterprise (Type B**)** accounts reported in lines 52 and 53 of FSA048 in rows 6 to 10.

6 Current and/or transactional accounts

A *firm* should report here the total of deposits held in instant access current and transactional accounts**.** Transactional accounts are those used to process transactions such as day-to-day outgoings, salary and invoice payments.

7 Tax-advantaged savings accounts

A *firm* should report here the total balances of deposits held in tax-advantaged accounts.

8 On demand or other instant access accounts

A *firm* should report here the total balances of any remaining instant access accounts not reported in lines 6 or 7 of this *data item*.

9 Fixed term accounts

A *firm* should report here the total balances of all deposits held in fixed term deposit accounts in relation to which a depositor is unable to access their deposit prior to its contractual maturity.

10 Fixed notice accounts

A *firm* should report here the total balances of all deposits held in fixed notice deposit accounts in relation to which a depositor can:

- require the early repayment of an otherwise fixed term deposit by paying an early access charge; or,

- require the repayment of a deposit by giving a specified notice period.

Part 3 Deposit insurance schemes such as FSCS

Part 3 of this *data item* relates to an analysis of a *firm's* retail deposits, as reported on lines 54 and 55 of FSA048, insured by *FSCS* or other similar deposit insurance schemes.

In relation to each depositor who would in principle be eligible to claim compensation from the *FSCS* or another similar deposit insurance scheme in respect of his deposits with a *firm*, that *firm* should report the protected balances of accounts covered by the scheme in question. A *firm* should follow the current rules of any relevant scheme in reporting the protected balances.

11 Deposits covered by deposit insurance schemes such as FSCS

A *firm* should report here the total protected balances held in deposit accounts that would in principle be covered by the *FSCS* or other similar deposit insurance scheme, up to the maximum amount that depositor may be eligible to claim under the relevant scheme.

12 Deposits not covered by deposit insurance schemes such as FSCS

A *firm* should report here the excess of deposit account balances over the total protected balances held in those accounts that would in principle be covered by the *FSCS* or other similar deposit insurance scheme.

FSA053 Retail SME and Large Enterprises type B funding – validation rules

Internal Validation rules

Validation number	Data element		
1	1A	>=	0
2	1B	>=	0
3	2A	>=	0
4	2B	>=	0
5	3A	>=	0
6	3B	>=	0
7	4A	>=	0
8	4B	>=	0
9	5A	>=	0
10	5B	>=	0
11	6B	>=	0
12	7B	>=	0
13	8B	>=	0
14	9B	>=	0
15	10B	>=	0
16	11A	>=	0
17	12A	>=	0

Cross validation rules between FSA048 and FSA053

(General note: cross validation rule should be applied only when the returns under consideration are for the same reporting date)

Validation number	Data element		
1	ABS{FSA053(1A+2A+3A+4A+5A)}	=	ABS{FSA048(54A+54C+54D+54E+54F+54G+54H+54I+54J)}
2	ABS{FSA053(1B+2B+3B+4B+5B)}	=	ABS{FSA048(55A+55C+55D+55E+55F+55G+55H+55I+55J)}
3	ABS{FSA053(6B+7B+8B+9B+10B)}	=	ABS{FSA048(52A+52C+52D+52E+52F+52G+52H+52I+52J) + FSA048(53A+53C+53D+53E+53F+53G+53H+53I+53J)}

20 FSA054 Currency Analysis

The purpose of this *data item* is to record details of a *firm's* currency mismatches. .

Valuation

Except where outlined, a *firm* should follow the relevant provisions of the *EU CRR*. A *firm* not subject to the *EU CRR*, should follow its applicable accounting standards.

Currency

Not relevant.

Data elements

These are referred to by row first, and then by column, so *data element* 2B will be the element numbered 2 in column B.

Completion

A *firm* should complete this *data item* on a contractual basis based on an analysis of the *firm's* cash flow and cash balances as reportable for FSA047 and FSA 048, combined (rows 1, 18 to 23 and 25 to 56), based on the FSA047 and FSA048 reporting date closest to the FSA054 reporting date in question.

General

This report has two aspects. It asks a *firm* to report:

(1) the currencies in which that *firm's* assets and liabilities and shareholders' equity are denominated; and

(2) the percentage of that *firm's* total assets and liabilities and shareholders' equity which are denominated in those currencies.

A *firm* should exclude from its balance sheet derivative financial instruments as defined under IFRS.

In considering whether a *firm's* assets, liabilities or shareholders' equity are denominated in a specific currency, a *firm* should ignore the effect of any *derivatives.*

For example, if a *firm* issues a liability in GBP and enters into a *derivative* to swap the cash flows of that liability to another currency, for the purposes of this *data item*, it should be denominated in GBP.

For each row from 1 to 13, a *firm* should report column A and B. For example, for row 1, cell 1A should contain GBP (sterling) assets, excluding derivative financial instruments, expressed as a percentage (rounded to two decimal places) of the total assets, excluding derivative financial instruments, of the *firm*.

FSA054 Currency analysis – validation rules

Internal Validation rules

Validation number	Data element		
1	Each cell in column A	>=	0
2	Each cell in column B	>=	0
3	Each cell in column A	<=	100%
4	Each cell in column B	<=	100%
5	1A+2A+3A+----+12A+13A	=	100%
6	1B+2B+3B+----+12B+13B	=	100%

21 FSA055 Systems and Controls Questionnaire

The purpose of this data item is to enable the PRA to monitor a non-ILAS BIPRU firm's compliance with the requirements set out in *BIPRU* 12.3 (Liquidity risk management) and *BIPRU* 12.4 (Stress testing and contingency funding).

In relation to the questions in FSA055, a *firm* should, as appropriate, answer "yes" or "no", or choose a response from the drop-down menu.

Should a *firm* answer "no" to the first question in FSA055, it need not complete the rest of the *data item*.

FSA055 Systems and controls questionnaire – validation rules

Internal Validation rules

All cells are controlled by drop-down menu. The menu option for each row is as under:

Validation number	Data element	Menu options
1	1A	Yes / No
2	2A	Yes / No
3	3A	Yes / No
4	4A	Yes / No
5	5A	Yes / No
6	6A	Yes / No
7	7A	Yes / No
8	8A	<= 52
9	9A	Yes / No
10	10A	Monthly/Quarterly/Semi-annually/Annually/less than once a year
11	11A	<=52
12	12A	Yes / No
13	13A	Monthly/Quarterly/Semi-annually/Annually/less than once a year
14	14A	Yes / No
15	15A	Yes / No
16	16A	Yes / No
17	17A	Yes / No
18	18A	Yes / No
19	19A	Yes / No
20	20A	Yes / No

1 PRUDENT VALUATION RETURN

This data item provides the *appropriate regulator* with a point-in-time estimate of the valuation uncertainty around a *firm's* fair-value positions in the context of the size and risk of its positions. The value of the positions at the downside end of the spread of valuation uncertainty will be equivalent to the prudent valuation of the *firm's* positions as determined using the *rules* laid out in articles 24, 34 and 105 of the *EU CRR*.

The fair values of financial instruments are represented as point estimates for the purpose of the primary financial statements. However, at the balance sheet (B/S) date it is likely that there will be a range of plausible estimates of the valuation of many financial instruments. The choice of a point estimate is influenced by a range of factors including different market data points and valuation methodologies. This range will change over time and will tend to widen for markets that are less liquid or lack transparency.

Valuation

Firms should follow their normal accounting practice wherever possible when reporting the gross and net B/S.

Consolidation

When reporting on a *UK consolidation group* basis, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in the currency of their annual audited accounts e.g. Sterling, Euro, US Dollars, Canadian Dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

Prudent Valuation Return

Column A-C Gross B/S Assets, Gross B/S Liabilities and Net B/S

The gross B/S assets, gross B/S liabilities and net B/S are the raw figures extracted from the front office systems, after fair value adjustments and adjustments taken following independent price verification, rather than the B/S amounts that would be produced under IFRS. They nevertheless allow a completeness check by reconciling back to the total fair-value positions on the B/S as set out in the 'Reconciliation to Financial Statements' table. Both assets and liabilities are input as positive balances.

The gross B/S figures give a sense of the overall size of the positions, as large uncertainty and/or VaR figures may otherwise appear inconsistent if the net B/S is small.

Column D 1-Day 99% VaR Equivalent

The VaR equivalent measure is used in the return to indicate the relative market risk in different *firms* and portfolios and to provide important context to the valuation uncertainty measures. However, as this includes risks not in VaR and VaR on non-Trading Book positions for which the fair-value option has been chosen, it will not be directly reconcilable to the market risk measures shown in financial statements or the regulatory VaR.

The split of the VaR equivalent measure between the different asset classes may be on an approximate basis due to the difficulty in fairly distributing the diversification benefit gained from trading across those asset classes.

In certain cases, e.g. non-Trading Book positions for which no VaR is currently produced, it may be allowable for a firm to use an alternative metric to VaR while still estimating the 1 day loss which is expected to occur on no more than 1% of days. If a *firm* wishes to use an alternative metric, it must be requested and agreed with the *appropriate regulator*.

Column E/F Downside/Upside Valuation Uncertainty

Prudent valuation will constitute an assessment at a risk parameter/product level of the upper and lower ends of the range of plausible valuations at a defined confidence interval (e.g. 90th percentile) based on the judgment of management. This represents the uncertainty of the valuations on the B/S date taking into account all available market data and based on market conditions at the B/S date, using valuation methods which could reasonably be deemed appropriate for each asset or class of assets. It requires a comprehensive view of the possible valuation range for the whole product and portfolio, including the impact of different valuation techniques and models.

The 'Downside Valuation Uncertainty' in the return represents the amount by which the correct fair value might be lower than the 'Net B/S' figure supplied (that is, there is 90% confidence (or alternative confidence interval defined by the *firm*) that the actual value is greater than the 'Net B/S' less the 'Downside Valuation Uncertainty'). The 'Upside Valuation Uncertainty' similarly represents the amount by which the correct fair value might be higher than the 'Net B/S' figure supplied (that is, there is 90% confidence (or alternative confidence interval defined by the *firm*) that the actual value is lower than the 'Net B/S' plus the 'Upside Valuation Uncertainty').

The prudent valuation assessment is not constrained by accounting standards. For example, the uncertainty created by large concentrated positions will be reflected in the return, whereas concentration adjustments to Level 1 positions are not allowed by accounting standards.

The uncertainty estimates at asset class level may include a diversification benefit rather than simply summing the uncertainty for each position. There is currently no formal policy on the aggregation of prudent valuation by asset class; hence *firms* should determine an approach to be assessed by the *appropriate regulator* for reasonableness.

Column G Explanation

There are a number of rows where the *firm* has a choice of whether and how many rows to add. In this case, a short description of the row will be required and this should be included in column G.

Row 1-12 Asset Class Granularity

The asset class granularity selected for the main part of the table is to avoid making the return unduly lengthy or confusing. Where particularly significant, any additional disclosures should occur through narrative tied to the 'Portfolios of Particular Interest' in row 25.

The split between 'Exotic' and 'Vanilla' positions is defined in the same way that products are categorised for the purposes of CAD2 recognition. The definition of a portfolio type is based on the regulatory classes for CAD2 recognition, split by asset class.

'Vanilla' positions are the following positions:

• linear products, which comprise *securities* with linear pay-offs (e.g., bonds and *equities*) and *derivative* products which have linear pay-offs in the underlying risk factor (e.g., interest rate *swaps*, *FRAs*, total return *swaps*);

• European, American and Bermudan put and call options (including caps, floors and swaptions) and investment with these features.

All other fair-valued positions are included within the 'Exotic' portfolios.

This delineation corresponds to the way in which the instruments are traded. Where a portfolio is disclosed as 'Exotic', it may also include vanilla hedges. Although a traded portfolio should normally not be split between 'Vanilla' and 'Exotic' or between two asset classes, where a portfolio includes significant positions of a type that would normally be reported in an alternative classification and are not present to hedge other products in the portfolio, these positions should be included within that other classification.

Row 13-14 CVA and DVA

CVA and DVA are adjustments that may be made at a *firm* rather than portfolio level. Consequently, the B/S and valuation uncertainty figures may be reported on a separate line.

Row 15 Other Portfolios

There may be other cross-portfolio fair-value reserves or other portfolios not represented in rows 1-14. Additional lines should be included for each of these numbered 1 to n as shown. The figures for columns A-F should be included as for rows 1-14 and a short description of the portfolio included in column G.

Row 16 Aggregate Portfolios Included

The sum of the B/S and valuation uncertainty figures in columns A-C and E-F from rows 1-15.

Row 17 Less Diversification Benefit

The uncertainty assessments disclosed by asset class are the sum of the uncertainty measures calculated at a risk parameter/product level, before allowing for diversification/correlation benefits. As a result the sum of the individual portfolio valuation uncertainty estimates will not necessarily reflect the aggregate-level valuation uncertainty the *firm* faces at the B/S date as this does not allow for diversification benefits that will invariably exist. The diversification benefit represents the total benefit taken between portfolios when summing up for the regulatory Prudent Valuation Return. There is currently no formal policy on the *firm*-wide aggregation of prudent valuation; hence *firms* should determine an approach that would be assessed by the *appropriate regulator* for reasonableness.

Row 18 Total

The 'Aggregate Portfolios Included' from row 16 less the 'Diversification Benefit' from row 17.

Row 19 Portfolios Excluded due to Extreme Valuation Subjectivity

The 'Portfolios Excluded' section allows *firms* to scope out those portfolios where they feel that there is an absence of market data or there is some other reason why it is not possible to ascertain the plausible range of valuations with any confidence. This can be due to a one-way market in which there is limited ability to exit positions that have been entered into (e.g. PRDCs), although there may be other reasons. This portion of the disclosure is important as it clearly identifies portfolios for which there is extreme valuation subjectivity. For these portfolios, it may not be possible or meaningful to disclose VaR figures, but the gross and net B/S positions being disclosed impart important information to the users of the accounts. The *firm* should therefore propose a suitable regulatory prudent valuation adjustment that would not benefit from diversification and will be assessed for reasonableness by the *appropriate regulator*.

Additional lines should be added here for each of these portfolios numbered 1 to n as shown. A short description of the portfolio should be included in column G.

Row 20 Total Portfolios Excluded

The sum of all excluded portfolios from row 19.

Row 21 Total Value of Fair-Valued Portfolios

The sum of the gross B/S and net B/S figures in columns A-C from row 18 and row 20.

Row 22 Total Downside Valuation Uncertainty

The sum of the downside valuation uncertainty in column E from row 18 and row 20.

Row 23 Less Regulatory Capital Offsets

The 'Total Downside Valuation Uncertainty' from row 22 shows the total difference between using the accounting fair value and the regulatory prudent value for valuations of all fair-valued financial instruments positions on the B/S. In order to arrive at the net adjustment to regulatory capital that would occur from using fair value instead of prudent value, there may be several offsets that need to be taken into account. These may include, for example, the reduction in the tax liability that would occur on adjusting the valuations in the B/S and therefore reducing P&L, regulatory capital adjustments that are already taken for elements of valuation uncertainty or situations where the capital requirement for a position is already at a level such that a prudent valuation adjustment would imply a capitalisation of more than 100%.

Additional lines should be added here for each of these types of offset numbered 1 to n as shown. A short description of each type of offset should be included in column G.

Row 24 Prudent Valuation Adjustment

The 'Total Downside Valuation Uncertainty' from row 22 less the 'Regulatory Capital Offsets' from row 23.

Row 25 Portfolios of Particular Interest

The 'Portfolios of Particular Interest' section allows specific disclosures for portfolios where there is a general market interest at any particular time (as there has been with ABS and monoline positions previously) and also allows *firms* the discretion to identify those portfolios that they feel constitute significant proportions of the valuation uncertainty disclosed for the asset classes (e.g. CVAs). The responsibility for ensuring the appropriate selection of portfolios and the appropriateness of the disclosure for each of these portfolios rests with senior management of the *firms*. These portfolios form a subset of the information previously provided by asset class, rather than being in addition to the uncertainty disclosed by asset class.

Additional lines should be added for each of these portfolios numbered 1 to n as shown. The figures for columns A-F should be included as for rows 1-14 and a short description of the portfolio included in column G.

Reconciliation to Financial Statements

Row 26 Total Value of Fair-Valued Portfolios

The 'Total Value of Fair-Valued Portfolios' is copied directly from row 21 for columns A-C.

Row 27 Reconciliation to Financial Statements Amounts

There may be a number of reasons for differences between the gross and net B/S figures taken from front office systems, after fair value adjustments and adjustments taken following independent price verification, that were used in the valuation uncertainty disclosure and the gross and net B/S figures in the financial statements. The *firm* should report the reconciliation amounts and briefly state the reason for the difference. An additional line should be included for each major class of reason, for example, netting of internal trades or counterparty netting agreements.

Row 28 Fair-Valued Portfolios per Financial Statements

The sum of the 'Total Value of Fair-Valued Portfolios' in row 26 and the differences to the financial statements shown in row 27. The figures for 'Gross B/S Assets', 'Gross B/S Liabilities' and 'Net B/S' (columns A-C) should equal the total fair-valued assets and liabilities in the *firm's* financial statements.

Row 29 Definitions of Portfolio Type

This is a narrative box which allows the *firm* to define the positions that are included in certain portfolios, e.g. Emerging Markets, Hybrid Instruments or Other Portfolios the *firms* has chosen to disclose in row 15.

Row 30 Portfolios Subject to Valuation Uncertainty Assessment

This is a narrative box allowing *firms* to choose to provide some narrative such as outlining the most material methodologies that underlie a significant proportion of the calculation of valuation uncertainty.

Row 31 Portfolios Excluded due to Extreme Valuation Subjectivity

This is a narrative box which allows the *firm* to provide details of each 'Portfolio Excluded due to Extreme Valuation Subjectivity' the *firm* has chosen to disclose in row 19. Information provided should include, but not necessarily be limited to, a description of the products and why an effective assessment of valuation uncertainty cannot be performed, details of the extent to which the portfolio is classified as AFS or fair-value option in the Banking Book and a historical description of how the portfolio was built up together with a description of what the strategy is for the portfolio for the future (e.g. whether there is still new trading or whether this is a legacy portfolio being sold off over time).

Row 32 Portfolios of Particular Interest

This is a narrative box which allows the *firm* to provide details of each 'Portfolio of Particular Interest' the *firm* has chosen to disclose in row 25. Information provided should include, but not necessarily be limited to, a description of the products, details of the extent to which the portfolio is classified as AFS or fair-value option in the Banking Book, why it is of particular interest, the basis of the methodology used to calculate the uncertainty and a historical description of how the portfolio was built up together with a description of what the strategy is for the portfolio for the future (e.g. whether there is still new trading or whether this is a legacy portfolio being sold off over time).

Row 33 Reporting Currency

This is a box in which the *firm* should declare the reporting currency used.

FSA055 - Internal Validations

Validation Number	Data Element		Data Element(s)
1	1C	=	1A-1B
2	2C	=	2A-2B
3	3C	=	3A-3B
4	4C	=	4A-4B
5	5C	=	5A-5B
6	6C	=	6A-6B
7	7C	=	7A-7B
8	8C	=	8A-8B
9	9C	=	9A-9B
10	10C	=	10A-10B
11	11C	=	11A-11B
12	12C	=	12A-12B
13	13C	=	13A-13B
14	14C	=	14A-14B
15	15C	=	15A-15B
16	16A	=	1A+2A+3A+4A+5A+6A+7A+8A+9A+10A+11A+ 12A+13A+14A+Sum(15A)
17	16B	=	1B+2B+3B+4B+5B+6B+7B+8B+9B+10B+11B+ 12B+13B+14B+Sum(15B)
18	16C	=	16A-16B
19	16E	=	1E+2E+3E+4E+5E+6E+7E+8E+9E+10E+11E+ 12E+13E+14E+Sum(15E)
20	16F	=	1F+2F+3F+4F+5F+6F+7F+8F+9F+10F+11F+12F+ 13F+14F+Sum(15F)
21	18A	=	16A
22	18B	=	16B
23	18C	=	18A-18B
24	18E	=	16E-17E
25	18F	=	16F-17F
26	19C	=	19A-19B
27	20A	=	Sum(19A)
28	20B	=	Sum(19B)
29	20C	=	20A-20B
30	20E	=	Sum(19E)
31	21A	=	18A+20A
32	21B	=	18B+20B
33	21C	=	21A-21B

34	22E	=	18E+20E
35	24E	=	22E-Sum(23E)
36	25C	=	25A-25B
37	26A	=	21A
38	26B	=	21B
39	26C	=	26A-26B
40	27C	=	27A-27B
41	28A	=	26A+Sum(27A)
42	28B	=	26B+Sum(27B)
43	28C	=	28A-28B

External Validations

There are no external validations for this data item.

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AUTHORITY

Appendix 2 – NOTES FOR COMPLETION OF THE MORTGAGE LENDERS & ADMINISTRATORS RETURN ('MLAR')

Contents

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

This section covers a number of points that have relevance across the return generally:

- Overview
- Purpose of reporting requirements
- Regulated mortgage contracts and the wider mortgage market
- *Home Reversion plans* and *Home Purchase plans*
- Sale and rent back business
- Accounting conventions
- Accuracy
- Time period
- Loans made before 31 October 2004
- Specific items:

  (i) positions to be reported gross
  (ii) foreign currencies

2. Overview of reporting requirements

The data requirements for *firms* carrying on the *regulated activities* of *home finance providing activity* and *administering a home finance transaction* consist of quarterly, half yearly and annual information. This *guidance* deals only with the quarterly requirements, however, which are referred to as the Mortgage Lenders and Administrators Return (*MLAR*).

Because the *MLAR* is activity based, not all sections are applicable to all types of *home finance activity firm*. The applicability of each section is explained in the table below:

Section	**Applicability**:
A1 and A2: Balance sheet	Applies to all *home finance activity firms* except: - A *firm* that is required to submit a balance sheet by a lower numbered *regulated activity group*, as described in rule 2.3 of the regulatory reporting part of the PRA Handbook. - An *incoming EEA firm* (note a)

A3: Analysis of loans to customers	Applies to all *home finance activity firms*
B1: Income statement	Applies to all *home finance activity firms* except: - A *firm* that is required to submit an income statement by a lower numbered *regulated activity group*, as described in rule 2.3 of the regulatory reporting part of the PRA Rule book. - An *incoming EEA firm* (note a)
B2: Provisions analysis	Applies to all *home finance activity firms*
C: Capital	Applies to all *home finance activity firms* except: - A *firm* that is required to submit a capital adequacy *data item* by a lower numbered *regulated activity group*, as described in rule 2.3 of the regulatory reporting part of the PRA Rulebook. - An *incoming EEA firm* (note a) - A *firm* which is a solo-consolidated *subsidiary* of an *authorised credit institution*
D: Lending: business flows and rates	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
E: Residential lending to individuals: new business profile	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
F: Lending: Arrears Analysis	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
G: Mortgage Administration: Business Profile	Applies to all *firms* with *permission* to undertake *administering a home finance transaction*, except: - *SRB administrators*
H: Mortgage Administration: Arrears analysis	Applies to all *firms* with *permission* to undertake *administering a home finance transaction*, except: - *SRB administrators*
J: Fee tariff measures	Applies to all *home finance activity firms*

K: Sale and rent back business	Applies to *SRB agreement providers* and *SRB administrators*
L: Credit risk	Applies to a *firm* that meets the conditions of SUP 16.12.18BR (note 2) in the FCA's Handbook.
M: Liquidity	Applies to a *firm* that meets the conditions of SUP 16.12.18BR (note 3) in the FCA's Handbook.

Note (a): *Credit Institutions* passporting under CRD IV for *mortgage lending* (which also includes *mortgage administration*), or other *firms* passporting under another EU Directive for a non-mortgage activity and holding a *top-up permission* from the *appropriate regulator* for *mortgage lending* and/or *mortgage administration*. Also includes *firms* classed as "*Treaty firms*" under Schedule 4 of the *Act*. But any other *EEA firm* type should complete in full all sections of the *MLAR* described above this table, as it would not be eligible for any reduction in reporting requirements.

3. Purpose of reporting requirements

The reasons why the *appropriate regulator* requires this data from *home finance providers* and *administrators* are as follows:

- to assess the probability of the failure of *firms* and the impact of failure on the ability of the *appropriate regulator* to meet its statutory objectives, including an assessment of compliance with the *threshold conditions*;
- to assist with prudential supervision of *firms*; and
- to help assess the risks in the home finance market as a whole to inform, for example, the *appropriate regulator's* thematic work. By this we mean that we will use some of our supervisory resources to examine issues (known as 'themes') that affect a number of *firms* rather than *firms* individually. The data collected will be considered alongside other information we receive, to identify trends and issues that inform our supervision of *firms*.

The *MLAR* requires *home finance providers* and *administrators* to submit four types of data:

- financial data to assist in the prudential supervision of *home finance providers* and *administrators.* A quarterly financial return is required, including a balance sheet and profit and loss account;
- quarterly reporting of quantitative and qualitative data by all *home finance providers* and *administrators* to enable monitoring of compliance with the requirements of *MCOB*;

- quarterly provision of qualitative home finance information by all *home finance providers* and *administrators* to enable the *appropriate regulator* to understand developments in the home finance markets as a whole, and to inform future policy developments and prudential supervision; and

- quarterly information on fee tariff measures.

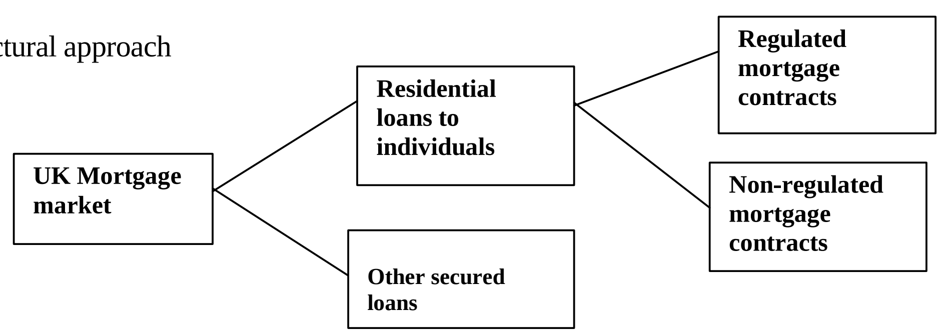
The reporting requirements set out in the *MLAR* will enable the *appropriate regulator* to realise these information needs. In particular:

Tables A to C, L, M:	provide the framework for the *appropriate regulator's* financial monitoring and prudential supervision of *home finance providers* and *administrators*;
Tables D to F:	provide the framework for the provision of qualitative home finance information by *home finance providers*
Table G, H:	provides the framework for the *appropriate regulator's* monitoring of *administering a home finance transaction activity*.
Table J	provides information on fee tariff measures for *home finance providers* and *administrators*.
Table K	provides the framework for the *appropriate regulator's* monitoring of *SRB agreement providers* and *SRB administrators*

4. Regulated mortgage contracts and the wider mortgage market

Given this background to reporting requirements, the *appropriate regulator's* approach to obtaining information on *mortgage lending* has been structured so that ***regulated mortgage contracts*** are seen within the wider context of the **UK mortgage market as a whole**. This approach can be illustrated as follows:

Structural approach



Each of these key terms is explained below:

(i) **UK Mortgage market**

This refers to all lending secured on land and buildings in the United Kingdom, whether to individuals, housing associations or corporates. However, given the importance of mortgages to individuals we have chosen to look at the market in terms of two components, namely 'residential lending to individuals' and 'other secured lending'.

(ii) **Residential loans to individuals**

This is a discrete category of the mortgage market, and has characteristics (e.g. in terms of products, lending criteria and methods of credit assessments) that are often markedly different from those applying to other types of secured lending (e.g. to corporates).

It is lending to individuals secured by mortgage on land and buildings where the lender has either a first or second (or subsequent) charge, where at least 40% of the land and buildings is used for residential purposes, and where the premises are for occupation by either the borrower (or dependant), or any other third party (e.g. it includes ‘buy to let’ lending to individuals).

Only loans where there is a one-to-one correspondence between the loan and a specific security should be included within ‘residential loans to individuals’. Do not include here any residential loans to individuals that are part of a ‘business loans’ type package (involving multiple loans and multiple securities, where there is no one-to-one correspondence between a loan and a specific security), but report them under ‘other secured lending’.

Regulated mortgage contracts are therefore a subset of this market category.

Examples of **non-regulated mortgage contracts** which fall under the wider category of residential loans to individuals include: buy-to-let loans and other types of loan where the property is not for use by the borrower (or qualifying dependants); and residential loans to individuals where the lender does not have a first charge. In the case where a lender takes a first and a second charge over the same residential property (for different purposes) we consider that generally the loan secured by the first charge will be a *regulated mortgage contract*, but that the loan secured by the second charge will invariably not and should be reported as non-regulated.

Pending the UK implementation of the Mortgage Credit Directive, even though loans secured by a second or subsequent charge on residential property may potentially be regulated credit agreements, firms completing the MLAR in the period after 1 April 2014 should continue to include second charge mortgage business as business falling within non-regulated mortgage contracts.

It is important, therefore, to separate this category from all other forms of secured lending.

(iii) **Other secured lending**

This covers all other forms of lending secured on land and buildings in the United Kingdom. Primarily it covers secured lending to corporate bodies (including to housing associations), but it also includes lending to individuals which, although being secured on land and buildings, is not deemed to be residential (e.g. the residential element is less than 40%). A corporate body for this purpose is any entity other than an individual.

It also includes any residential lending to an individual that forms part of a 'business loan' type package. These arrangements between a lender and a borrower are usually offered by a lender's specialist business or corporate lending departments. They typically involve a number of loans secured against a range of securities including the borrower's residential property, business premises and the business itself. Such packages involve no specific one-to-one correspondence between a single loan and a single security, and instead the lender assesses loan cover against the basket of securities in the package. Given the business nature of this type of lending, it would therefore be misleading to try and classify some or all of the loan elements in such cases to any part of 'residential lending to individuals', and hence all such lending should be reported under 'other secured lending'. This is for MLAR reporting purposes only; the actual categorisation or treatment for MCOB purposes remains unchanged.

(iv) **Regulated mortgage contract**

This is defined as follows:

(a) (in relation to a contract) (in accordance with article 61(3) of the *Regulated Activities Order*) a contract which, at the time it was entered into, meets the following conditions:

(i) a lender provides credit to an individual or to trustees (the 'borrower'); and

(ii) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a person who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:

(A) that person's spouse; or

(B) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or

(C) that person's parent, brother, sister, child, grandparent or grandchild.

(b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* in (a).

This means that in relation to a *regulated mortgage contract*, the following conditions must all be satisfied:

- the borrower must be an individual or trustee;
- the lender must take a first legal mortgage over *UK* property; and
- the property must be at least 40% occupied by the borrower or his immediate family.

The definition of a *regulated mortgage contract* means that many kinds of loan are caught by regulation, not just loans for house purchase. For example it includes a significant amount of short-term first charge lending. This includes lending for home improvements (including some in-store credit), lending for debt consolidation, lending to finance a business, and some specific banking products such as secured overdrafts, secured credit cards, bridging loans and loans secured by all monies charges.

4a. Home reversion and home purchase plans

Definitions

(1) Home reversion plan

This is defined as follows:

(in accordance with article 63B(3) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:

(a) the arrangement is one under which a *person* (the *reversion provider*) buys all or part of a *qualifying interest in land* from an individual or trustees (the *reversion occupier*);

(b) the *reversion occupier* (if he is an individual) or an individual who is a beneficiary of the trust (if the *reversion occupier* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; and

(c) the arrangement specifies that the entitlement to occupy will end on the occurrence of one or more of:

(i) a *person* in (b) becoming a resident of a care home;

(ii) a *person* in (b) dying; or

(iii) the end of a specified period of at least twenty years from the date the *reversion occupier* entered into the arrangement;

in this definition "related person" means:

(A) that *person's* spouse or civil partner;

(B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or

(C) that *person's* parent, brother, sister, child, grandparent or grandchild.

Guidance to Home Reversion (HR) and Home Purchase Plan (HPP) firms on the completion of the MLAR

This section covers the **interim reporting** of HR and HPP products pending the outcome of the *appropriate regulator*'s wholesale review of the MLAR under the *appropriate regulator*'s agenda of Better Regulation.

It is recognised that HR and HPP products are not loans as such, being effectively sale and lease products. However, in order to use the MLAR as a vehicle for capturing some data on these products, they are to be treated for MLAR purposes as if they were loan products. This means that:

(i) For a firm which is a **provider** of HR and/or HPP products:

- HR and HPP products are to be included in the balance sheet within A1.6 "Loans to Customers". This may differ from the reporting of such products in a firm's published accounts.
- Within section A3, which contains a further breakdown of "Loans to Customers", HR and HPP products are to be reported within the single category A3.5 "Other Loans".
- As a consequence, the *appropriate regulator* will be able to capture the key balances outstanding on these products (including any which may have been securitised) during the interim period.

(ii) For a firm which is undertaking **administration** of HR and/or HPP products (and where that firm did not also act as provider of these products):

- HR and HPP products being administered for third parties are to be reported in section G
- Within G1 and G2 they are to be reported within the "Other firms" category. They should however be shown under "regulated loans" solely for the purposes of recording their administration in the MLAR.
- In section G2.2, when entering the "name of firm" in column 2, add "HR" and/or "HPP" in brackets after the name, as appropriate.
- However, for this interim period of reporting, the *appropriate regulator* does not propose to seek information about any arrears on HR and/or HPP products and hence such information should be excluded from section H.

4b. Sale and rent back business

Definitions

Regulated sale and rent back agreement.

This is defined as follows:

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements, in relation to which the following conditions are met at the time it is entered into:

(a) the arrangement is one under which a *person* (an agreement provider) buys all or part of the *qualifying interest in land* in the *United Kingdom* from an individual or trustees (the "agreement seller"); and

(b) the agreement seller (if he is an individual) or an individual who is the beneficiary of the trust (if the agreement seller is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling, and intends to do so;

but excluding any arrangement that is a regulated *home reversion plan*.

Guidance to sale and rent back (SRB) firms on the completion of the MLAR

This section explains how SRB *firms* should complete the *MLAR*.

SRB providers and administrators should complete the following sections of the *MLAR*:

- Section A (balance sheet);
- Section B (profit and loss account);
- Section C (capital);
- Section J (fees tariff measures); and
- Section K (sale and rent back business).

SRB *firms* should **not** complete sections D to H, L or M in respect of their SRB business.

SRB providers should note the following in relation to their reporting of SRB agreements and SRB assets:

In section A
- Do **not** enter any information on SRB agreements in A1.6 ‘Loans to customers’ or A3.5 ‘Other loans’.
- Report SRB assets in A1.11.
- Report any liabilities incurred in acquiring SRB assets in A2.7.

In Section B
- Where applicable, information on SRB agreements should be entered in B2.5 ‘Other loans’.

As a consequence the *appropriate regulator* will be able to capture key information on these products.

5. Accounting conventions

Unless the contrary is stated in these guidance notes, the return should be compiled using generally accepted accounting practice.

However, information in respect of lending (eg balances, advances, interest rates, arrears etc) to be reported in sections D, E, F, G, H and J of the return should not be fair-valued but should report the contractual position (ie as between lender and borrower).

All amounts should be shown in one of the reporting currencies accepted by the relevant platform provided by the *FCA*, unless otherwise specified in the appropriate regulator's Rulebook.

6. Accuracy

It is expected that entries on the return will be actual values, or in some cases close approximations established or drawn from the *firm's* systems and prepared on the basis of being the best information in the time available for their compilation.

If such 'close approximations' are considered by the *firm* as likely to be materially different from the underlying actual values, the *firm* should advise its supervisory team of data items affected.

7. Time periods

Where stock figures are required (e.g. balance sheet, capital position etc) the information is required as at the *firm's accounting reference date* and the three quarter ends following this date (see SUP 16.3.13R).

Where flow figures are required, these are either for **3 months only** (i.e. the latest quarter) as in for example lending figures in tables D and E, or **cumulative in the 'year to date'**, (e.g. profit and loss in table B etc), covering the period from the *firm's accounting reference date* to the end of the reporting quarter.

8. Loans made before 31 October 2004

(i) Classifying the 'back book'

Loans made before 31 Oct 2004 fall into the following categories:

- residential loans to individuals (see Introduction, section 4(ii)) which should be classified as non-regulated (eg as at A3.3, and D1.2 etc)
- other secured loans (see Introduction, section 4(iii)) and shown for example at A3.4, D1.3 etc

- other loans [see Guidance for A3.5]

The approach to classification for pre-31 Oct 2004 loans will, of necessity, need to be a pragmatic one. We do not for example envisage the need to look at individual paper loan files. Rather, we expect that a firm will apply its knowledge of its various loan books, products & their characteristics, to come up with some realistic allocation rules. This will then enable the firm to apply some automatic process to its computerised loan records, and thereby classify individual loans into each of the relevant categories used in the MLAR. Such a process may not be perfect, and it may result in a few loans being wrongly allocated, but it will be sufficient for the purpose. In many cases, there will be further transactions in relation to this type of loan in the period immediately following 31 October 2004, and this event will provide an opportunity for the loan classification to be re-assessed, and if necessary, revised.

(ii) Specific treatment of residential loans to individuals

Any loans made before 31 October 2004, that otherwise satisfy the specific requirements of a *regulated mortgage contract*, should be reported as **non-regulated loans** in the various parts of the *MLAR* (since only those loans advanced after this date are required to be treated as a *regulated mortgage contract* for the purposes of *MLAR* reporting).

This reporting basis for loans made before 31 October 2004 should continue until such time, if ever, that a subsequent transaction on the loan causes it to be formally treated as a regulated contract.

(iii) Further advances on loans made before 31 October 2004

We cannot be prescriptive about whether, after the onset of mortgage regulation, a further advance (or any other variation) to a pre-31 October 2004 mortgage will have the effect of creating a new *regulated mortgage contract*. Whether a variation amounts to creating a new contract will depend on each lender's individual mortgage documentation. This documentation will differ, possibly significantly, between firms. Each lender will need to review its existing documentation and take a view on the scope that this provides for making changes.

In practice this means that:

- if the lender can make a further advance without creating a new contract, then the further advance should be added to the original loan and the combined loan treated as a single loan for MLAR reporting. This combined loan should be reported as ‘non-regulated’;

- if making a further advance creates a new contract, (and this further advance is a *regulated mortgage contract*) then the correct reporting approach will be determined as follows:

(a) where the original loan was made before 31 October 2004, but would otherwise satisfy the specific requirements of a *regulated mortgage contract*, the original loan and further advance may be treated as one for MLAR reporting, being shown as "Regulated" under "Residential loans to individuals".

(b) where the original loan did not satisfy the defined conditions of a *regulated mortgage contract* at the time it was entered into, the old loan and further advance will be treated as two separate loans for most aspects of MLAR reporting, the former being 'unregulated' while the latter will be reported as 'regulated'. However, for the LTV & Income Multiple analysis, while the firm should only show the amount of the further advance in the relevant "cell", the "cell" should be determined by using the total amount of the loan (old loan + further advance) when deciding which LTV band and which Income Multiple band are applicable.

(c) where the lender decides to combine the original loan and the further advance to create a single new contract that is a *regulated mortgage contract*, this should be reported as 'regulated'.

9. Specific items

9(i) Positions to be reported gross

In general, liabilities and assets should be shown gross, and not netted off (unless there is a legal right of set-off). Thus an account which moves from credit to debit will move from one side of the balance sheet to the other.

A notable exception to this however concerns the reporting of loan assets, which should follow *MIPRU* 4.2.14R - *MIPRU* 4.2.16G. Such assets should be shown in the balance sheet net of linked funding and also on this basis in other tables where balances are reported on the same basis. Only sections A3, D2, G and H require the reporting of such loan assets on a 'gross' basis.

The treatment of loan assets that are being operated as part of a current account **offset mortgage** product (or similar products where *deposit* funding is offset against loan balances in arriving at a net interest cost on the account) will depend on the conditions pertaining to the mortgage product. The balance outstanding on such loans will need to be reported on the basis of the contractually defined balance according to the terms of the mortgage product. This might be the amount of loan excluding any offsetting funds, or it might be the net amount.

9(ii) Foreign currencies

Firms should report in the currency of their annual audited accounts, where this is Sterling, Euro, US dollars, Canadian Dollars, Swedish Kroner, Swiss Francs or Yen. Where annual audited accounts are reported in a currency outside those specified above, please translate these values into an equivalent within the list using an appropriate rate of exchange at the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value used in the return. Please report in thousands where stated on the return. *Firms* should apply the same accounting treatment as for their published accounts.

SECTION A: BALANCE SHEET

Balance sheet analysis

A1, A2 The balance sheet is intended to reflect the practices used in compiling published or other accounts, although its format in the *MLAR* (with 'total assets' and 'total liabilities') will not necessarily be the same as that used by *firms* in their regular accounts. However, the differences should only be presentational.

A1.6 **Loans to customers** may be a non-standard accounting sub-head for some *firms* whose business is not primarily mortgage related. But since this is an explicit *MLAR* data requirement, it should be split out from the sub-head under which it is routinely shown in the *firm's* other accounts.

A1.11 **Other current assets** should include all assets measured at fair value not included in any other asset category on the return.

A2.1 **Shareholders' funds** should include any unrealised gains or losses resulting from the fair valuation of available-for-sale financial assets, and any fair value gains or losses arising on cash flow hedges of financial instruments measured at cost or amortised cost.

A2.7 **Other liabilities** should include all liabilities measured at fair value not included in any other liability category on the return.

A3 **Analysis of loans to customers**

This section recognises that some lenders may have securitised loans on their balance sheet, and hence provides for unsecuritised/securitised loans to be shown separately.

Unsecuritised balances are analysed in terms of three elements: gross loan balances (before deduction of any provisions); provisions balances in respect of those balances; and the net balances after deduction of such provisions.

Securitised balances are analysed in a similar way, except that 'gross' also means before the deduction of any linked non-recourse funding, the amount of which is also to be shown separately.

A3.1-4 See Introduction (paragraphs 4 (i) to (iv)) for details of the coverage of these terms.

A3.5 **Other loans** refers to any lending secured on land and buildings outside of the UK, any loan for which security is provided other than by land and buildings, together with all unsecured loans (e.g. consumer credit, personal loans, or such loans to corporates).

A3.6 It is expected that net balances on unsecuritised loans plus net balances on securitised loans will equal the entry shown at A1.6 in the main balance sheet analysis of assets.

SECTION B: PROFIT & LOSS ACCOUNT

B0 **Financial year to date**

In terms of **reporting period**, the analysis should be compiled on a 'year to date' basis, covering successively 3, 6, 9 or 12 months from the *firm*'s *accounting reference date*.

B1 **Profit & Loss Account**

The P&L section is intended to reflect the practices used in compiling accounts prepared under the Companies Acts, although its format in the *MLAR* (with explicit focus on financial items such as interest, fees & commission etc) will not necessarily be the same as that used by *firms* in their regular accounts.

The reason for this approach is that most lenders to which this section is applicable are mortgage specialists, and as such it is considered desirable to put their P&L format onto a similar basis as that used for *banks* and *building societies*.

The analysis therefore requires the *firm*'s profit & loss account to be re-structured in a way that makes a number of items explicit in the interests of achieving consistency with other reporting *firms*.

B1.1 Focuses on **gross profit from non-financial activities**.

B1.2-1.7 Covers a range of **income elements** which are more closely related to financial activities, including in particular those associated with mortgage lending. In particular B1.7 Other income should include unrealised gains in respect of assets and liabilities which have been measured on a fair value basis.

B1.9-1.13 Covers a range of **expenditure elements**, including those related to non-financial and also to financial (including mortgage related) activities. In particular B1.13 Other expenses should include unrealised losses in respect of assets and liabilities which have been measured on a fair value basis.

B1.15 **Operating Profit** is total income less total expenses.

B1.16 **Provisions** covers write-offs and provisions charges on bad and doubtful debts, (including for example on mortgage loans); any suspended interest (i.e. any interest included in Interest Receivable which, through loan default, impairment or otherwise, is deemed unlikely to be received); and any other provisions for contingent liabilities.

B2 Provisions analysis

This supplementary analysis draws together the key movements in provisions balances from the *firm*'s accounting reference date up to the reporting quarter end.

The two 'flow items', namely **write-offs** and **provisions charges**, are those relating to the period from the *firm*'s accounting reference date up to the reporting date.

The total of **provisions charges** in line B2.6 [column 3] will not necessarily be the same as the provisions charge in the Profit & Loss analysis at B1.16 (since this latter item may include further provisions against other asset items not included in B2.6, or provisions arising from other sources).

SECTION C: CAPITAL

INTRODUCTION

The *threshold conditions* state that the resources of a *firm* must be adequate in the opinion of the *appropriate regulator* in relation to the *regulated activities* that the *firm* seeks to carry on or carries on. In addition, a *firm* is required to maintain 'adequate financial resources'. A *home finance lender/administrator* should have adequate capital and funding in order to be able to meet these requirements.

In addition, the *FCA* and the *PRA* are required to identify the main risks to their statutory objectives. In assessing *firm*-specific risks we are required to assess the risks arising from the financial failure of a *firm* (due to business risks from the external environment, or control risks arising from the *firm* itself) which might affect both the market and individual *customers*. The specific *FCA* objectives that are potentially impacted are those relating to market confidence and consumer protection.

Details provided in this Section on Capital are drawn from the appropriate provisions of *MIPRU* 4 (Capital Resources)

C1-2 CAPITAL RESOURCES

C1 and C2 set out the individual components of **eligible capital** and the **separate deductions** that should be made to arrive at capital resources.

Components of eligible capital are:

(1) Share capital

Share capital must be fully paid (i.e. the *firm* is under no obligation to repay this capital unless and until the *firm* is wound up) and may include ordinary *share* capital or preference *share* capital (excluding preference *shares* redeemable by shareholders within two years).

See paragraph (7) Subordinated loans below for details of the limits that may apply to the inclusion of redeemable preference shares in capital resources.

(2) Partnership or sole trader capital

Partnership capital is capital made up of the *partners'* capital account. The capital account is an account into which capital contributed by the *partners* is paid and from which, under the terms of the *partnership* agreement, an amount representing capital may be withdrawn by a *partner* only if he ceases to be a *partner* and an equal amount is transferred to another such account by his former *partners* or any *person* replacing him as their *partner*, or the *partnership* is otherwise dissolved or wound up.

Sole trader capital is the net balance on the *firm's* capital account and current account.

(3) Reserves

Reserves are accumulated profits retained by the *firm* (after deduction of tax, dividends and proprietors' or *partners'* drawings) and other reserves created by appropriations of *share* premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a parent company. For *partnerships*, reserves include *partners'* current accounts according to the most recent financial statement. Reserves must be audited unless the *firm* is eligible to include unaudited reserves in its capital resources calculation under *MIPRU* 4.4.2R.

The reserves figure is subject to the following adjustments, where appropriate:

(a) any unrealised gains must be deducted or, where applicable, any unrealised losses added back in on cash flow hedges of financial instruments measured at cost or amortised cost;

(b) any unrealised gains must be deducted or, where applicable, any unrealised losses added back in on debt instruments held in the available-for-sale financial assets category. Any unrealised gains or losses on equities held in the available-for-sale financial assets category should be reported at C1.5;

(c) in respect of a *defined benefit occupational pension scheme*, any *defined benefit asset* must be derecognised;

A *firm* may substitute for a *defined benefit liability* the *firm's deficit reduction amount* provided that that election is applied consistently in respect of any one financial year.

(4) Interim net profits and partners' interim current accounts

A *firm* is not required to take into account interim net profits. However, if it does, the profits have to be verified by the *firm's* external auditors, net of tax, anticipated dividends or proprietors' drawings and other appropriations unless the *firm* is eligible to include unverified interim net profits in its capital resources calculation under *MIPRU* 4.4.2R.

In terms of the verification for inclusion, for the first, second and third financial quarters *firms* may include interim profits in their *MLAR*, on the understanding that the *firm* will obtain the required verification from its external auditors within two months of the financial quarter end. (The *appropriate regulator* may ask for a copy of the verification statement.) For the fourth quarter the *appropriate regulator* will rely on the forthcoming audited accounts as providing verification and accordingly the full year's profits should be included in the make-up of Eligible Capital under Interim Profits in the return.

(5) Revaluation reserve

Firms should report reserves relating to the revaluation of fixed assets.

(6) General /collective provisions

Firms should report general/collective provisions that are held against potential losses that have not yet been identified, but which experience indicates are present in the *firm*'s portfolio of assets. Such provisions must be freely available to meet these unidentified losses wherever they arise. General/collective provisions must be verified by external auditors and disclosed in the *firm*'s annual report and accounts unless the *firm* is eligible to include unaudited general and collective provisions in its capital resources calculation under *MIPRU* 4.4.2R.

(7) Subordinated loans

Subordinated debt (i.e. the amount of principal outstanding before amortisation) must not form part of the capital resources of a *firm* unless it meets the following conditions:

(1) it has an original maturity of at least five years or is subject to five years' notice of repayment;

(2) the claims of the subordinated creditors must rank behind those of all unsubordinated creditors;

(3) the only events of default must be non-payment of any interest or principal under the debt agreement or the winding up of the *firm*;

(4) the remedies available to the subordinated creditor in the event of non-payment or other default in respect of the subordinated debt must be limited to petitioning for the winding up of the *firm* or proving the debt and claiming in the liquidation of the *firm*;

(5) the subordinated debt must not become due and payable before its stated final maturity date except on an event of default complying with (3);

(6) the agreement and debt are governed by the law of England and Wales, or of Scotland, or of Northern Ireland;

(7) to the fullest extent permitted under the rules of the relevant jurisdiction, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts owed to them by the *firm*;

(8) the terms of the subordinated debt must be set out in a written agreement or instrument that contains terms that provide for the conditions set out in (1) to (7); and

(9) the debt must be unsecured and fully paid up.

For a *mortgage lender* or *mortgage administrator* undertaking business connected to *regulated mortgage contracts* (unless its *Part 4A permission* prevents it from undertaking new business), *MIPRU* 4.4.8R limits the amount of subordinated loans and redeemable preference *shares* that can be included in eligible capital.

In Table C of the *MLAR* the *firm* will deduct from capital resources under item C2.3a any amount by which the subordinated loans and redeemable preference *shares* exceed the limit in *MIPRU* 4.4.8R.

Treatment of eligible capital items (listed above) in section C1:

C1.1 **Reserves**: include items

- reserves
- revaluation reserves

C1.2 **Interim profits**: include items

- interim net profits
- *partners'* interim current accounts

C1.3 **Issued capital**: include items

- *share* capital
- *partnership* or *sole trader* capital

C1.3a **Subordinated loans**

C1.4 **General/collective provisions**

C1.5 **Other eligible capital**: includes

- any other item of eligible capital not required to be included in items C1.1 to C1.4, including any unrealised gains or losses on equities held in the available-for-sale financial assets portfolio.

C1.6 **Total Eligible Capital**

This is the sum of the components listed in C1.1 to C1.5.

C2 **Deductions from capital**

C2.1 **Investments in own shares** represents any investment in the *shares* of the company, quantified as fixed assets in the balance sheet.

C2.2 **Intangible assets** are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences.

C2.3 **Interim net losses** refers to the cumulative amount covering the period from the *firm's accounting reference date* to the end of the current quarter. All the current year's losses should be reported. Unpublished losses from the previous accounting period should also be shown here.

C2.3a **Subordinated loan and redeemable preference share restriction**

This is the amount of any excess as computed under the restriction explained in paragraph (7) of the C1-2 CAPITAL RESOURCES section above.

C2.4 **Other deductions from capital**: include

- **Excess of drawings over profits for *partnerships* or *sole traders*:** *firms* should report the difference between the personal drawings of a *partnership* or *sole trader* and the profit in the period, where the drawings exceed the profit for the period.

C2.5 **Total Deductions**

This is the sum of the components listed in C2.1 to C2.4.

C3 **CAPITAL RESOURCES CALCULATION**

C3.1 CAPITAL RESOURCES

This is total eligible capital less total deductions (C1.6 – C2.5).

C3.2 **Capital requirement**

This is the amount calculated in section in C4.6(e).

C3.3 **SURPLUS / (DEFICIT) OF RESOURCES**

This is the capital resources less the capital requirement (C3.1 – C3.2).

C4 **CAPITAL REQUIREMENTS**

C4 **Capital requirement for a lender, or an administrator with administered assets on its balance sheet**

C4.1 The capital requirement for lenders or administrators that have the *regulated mortgage contracts* that they administer on their balance sheet is asset-based, and the information required is detailed in C4.2 to C4.6.

C4.2 **Total assets:** this is the total value of assets as shown at line A1.12 in section A of the *MLAR*.

C4.2a **Assets subject to the credit risk requirement**

This is the amount of assets subject to the credit risk requirement computation as shown at line 6A in section L of the *MLAR*.

This is relevant for a *mortgage lender*; or *mortgage administrator* with its administered assets on balance sheet, that undertakes business connected to *regulated mortgage contracts* that has one or more exposures which satisfy the conditions set out in *MIPRU* 4.2A.4R.

C4.3 **Undrawn commitments**

Undrawn commitments means the total of those amounts which a borrower has the right to draw down from the *firm* but which have not yet been drawn down (see *MIPRU* 4.2.12R and *MIPRU* 4.2.13G).

However, undrawn commitments should not be included in the calculation of capital requirements if they have an original maturity of up to one year or if they can be unconditionally cancelled at any time by the lender.

Similarly, existing mortgage offers should not be included in the calculations of capital requirements if the offer has an original maturity of up to one year or can be unconditionally cancelled at any time by the lender.

C4.4 **Intangible assets**: this is the amount shown at C2.2.

C4.5 **Total adjusted assets:** this is the sum of C4.2 and C4.3, less C4.2a and C4.4

C4.6 CAPITAL REQUIREMENT

This section sets out how to calculate the capital requirement for a lender, or an administrator with administered assets on its balance sheet (See *MIPRU* 4.2.12R, *MIPRU* 4.2.18R and *MIPRU* 4.2.23R):

a) is the minimum requirement of £100,000;

b) is 1 % of the amount shown as total adjusted assets at C4.5, ie the assets that are not subject to the credit risk requirement calculation;

c) is the credit risk requirement as shown at line 9E in section L of the *MLAR*;

d) is the total of b) and c); and

e) is the capital requirement which is the higher of the fixed amount at a) and the sum shown at d).

C5 Capital requirements for an administrator not having administered assets on its balance sheet

C5.1 This section sets out the income-based capital requirements applicable to *administrator*s that do not have the assets that they administer on their balance sheet. The information requirements are detailed in C5.2 – 5.5.

Firms should report the following amounts from both their most recent annual financial statement and their estimated accounts for the current reporting year.

C5.2 Total income

Firms should report the amount of total income in their most recent (or other) financial statements, and an estimate of income for the current reporting year.

Total income should include both revenue and gains arising in the course of the ordinary activities of a *firm*. Revenue consists of commissions, fees, net interest income, dividends, royalties and rent. Only gains that are recorded in the profit and loss account should be included in income. What is relevant for the calculation of income is the amount of actual income generated rather than the gross cash streams of any one transaction (see *MIPRU* 4.3.7R).

C5.3 Relevant adjustments

The following exceptional items must be deducted from the *firm*'s total income:

(1) profit on the sale or termination of an operation;

(2) profit arising from a fundamental reorganisation or restructuring having a material effect on the nature and focus of the *firm*'s operations; and

(3) profits on the disposal of fixed assets, including *investments* held in long-term portfolio.

C5.4 **Total relevant income**

Is the sum of C5.2 minus C5.3.

C5.5 CAPITAL REQUIREMENT

This sets out how to calculate the capital requirement for a *administrator* not having administered assets on its balance sheet (see *MIPRU* 4.2.19R):

a) is the minimum requirement of £100,000;

b) is 10 % of the amount shown as total relevant income at C5.4 above; and

c) is the capital requirement which is the higher of the minimum amount at a) and the calculation shown at b).

SECTION D1: LENDING – BUSINESS FLOWS AND RATES

D1-D4 For details of the terms '**Residential lending** to individuals' (and regulated/unregulated) and '**other secured loans**', see Introduction, paragraphs 4 (i) – (iv).

D1 **Loans: Advances/Repayments – Row & Column Analysis**

For the two categories of loan assets, details are requested under various **transaction columns** that explain the transition from the previous quarter's balances to the current quarter's balances.

D1 **Loans: Advances/Repayments – Transactions (columns)**

Advances made in quarter should include:

(a) instalments released in the quarter for instalment advances;

(b) re-advances, i.e. where previous charge cancelled;

(c) further advances;

(d) in the case of loans that have a facility to draw down extra amounts over and above the sum originally advanced, the total of any further amounts drawn down in the quarter;

(e) the deduction from advances made of advance cheques cancelled;

but should exclude:

(f) the amount of any loan books acquired in the quarter (which should be reported in 'other debits/credits etc');

(g) retentions imposed, which should be included as they are released;

(h) sundry debits, i.e. any items not approved and not included in commitments, e.g. insurance debits, fines, insurance guarantees, valuation fees, arrangement fees etc. (unless formally treated as part of loan, that is where such amounts are repaid over the period of the loan);

(i) any movements on overdrafts.

Repayment of principal should include:

(a) repayment of principal including capital repayments, full or partial redemptions and the principal element of the normal monthly payment;

(b) mortgage receipts temporarily posted to *investment* accounts;

(c) transfers from *investment* accounts to mortgage accounts;

but should exclude:

d) the amount of any loan book sold during the quarter (to be reported in 'other debits/credits etc');

(e) sundry credits to accounts, such as insurance premiums, fines, fees, etc;

(f) advance cheques cancelled;

(g) *investment* receipts temporarily posted to mortgage accounts;

(h) any movement in overdrafts.

In determining the amount shown under **repayment of principal,** it is recognised that *firms* may need to estimate the amount of interest repaid where amounts repaid include both interest and principal, and/or where the amount of interest repayable is not the same as the amount charged (e.g. annual review or deferred interest schemes, or where a loan is not being fully serviced).

Write offs in quarter

This is the amount written off mortgage balances in the quarter (and off provisions charged to the income and expenditure account) and is to be on a basis consistent with amounts shown in the *firm*'s published accounts as 'written off' within the analysis of changes in loss provision usually appearing as Notes to the Accounts.

The amount written off may arise for example from:

- sale of a property in possession where there is a shortfall; or

- a decision to write down the mortgage debt on a loan still on the books. This may arise where the *firm* has taken the view that it is certain that a loss will arise and that it is prudent to write down the mortgage debt rather than carry the full debt and an offsetting provision. Examples might include certain fraud cases, or where arrangements have been reached with the borrower to reduce the mortgage debt repayable.

Other debits/(credits) and transfers (net) include:

(a) interest charged to the loan account in the period;

(b) interest repaid during the period;

(c) amounts charged to loan accounts and amounts received from borrowers in respect of such items as insurance premiums, valuation fees, and fines etc.;

(d) mortgage balances acquired following takeover / merger;

(e) loan books acquired from other lenders in the quarter;

(f) loan books sold to other lenders in the quarter;

(g) loan books securitised during the quarter;

(h) the transfer of any securitised assets back onto the balance sheet (e.g. following the closure of a securitised pool of loans);

(i) transfers (net) should include any reclassified loans (e.g. where there has been a change in the use of the land on which the loan is secured to/from residential; or change in status of loan from/to regulated/non-regulated etc);

(j) all movements on overdrafts (that is, net change in overdraft balances), other than writeoffs.

NB Balances on loan books acquired/sold/securitised should be as at the date of the relevant event.

Overdraft analysis (final 3 columns of D1):

The term “overdraft” here and in other columns of D1, is used to cover two types of revolving credit facilities: overdrafts and credit cards.

The balance at end of quarter in column 6 is further analysed into loan balances excluding overdrafts and, separately, balances on overdrafts.

The final column in D1 represents the sum total, across all overdraft accounts included in the penultimate column, of the individual credit limits on each such overdraft.

D2 **Loans: Book movements**

The '**transactions in the quarter**' columns are analyses of amounts already included within the 'other debits/(credits) and transfers (net)' column of section D1.

(i) '**loans acquired**' represents balances on any relevant loan books acquired during the quarter from other lenders;

(ii) '**loans sold**' represents balances on any relevant loan book (i.e. parcel of loans) sold during the quarter to another lender;

(iii) '**loans securitised**' represents balances on any loans that the *firm* has 'securitised' in the quarter. It includes balances on loans subject to securitisation transactions which should follow *MIPRU* 4.2.14R – *MIPRU* 4.2.16G;

(iv) '**other**' represents the net amount of other transaction amounts included in 'other debits/(credits) and transfers (net)' in D1.

NB: As a result, D2 [item (i) – item (ii) – item (iii) + item (iv)] should equal D1 [item 'other debits/(credits) and transfers (net)].

The final column '**balance at end quarter on loan assets subject to non-recourse funding**' represents all such loan assets (and not just the amount treated as transactions in the quarter), and requires the 'gross amount' of such loan assets to be reported against relevant line item categories. The 'gross amount' is the amount of any such loan that would be shown in a *firm*'s published or other balance sheet as X in the example below:

gross loan asset	=	X
less non-recourse funding	=	Y
net loan asset	=	X-Y

In the analysis here at D2, it is therefore the gross loan asset at the end of the reporting quarter that should be reported in the final column. Once securitised, it is recognised that end quarter gross balances will not necessarily remain constant (due either to borrower repayments, the possibility of any further advances, or other arrangement for 'topping up' a pool of securitised loans etc).

D3 Loans: Interest rates

Basis

Interest rates in this table are **nominal annual rates** charged to the *customer* on loan accounts excluding overdrafts (as defined in D1). They should ignore the effect of any interest rate swaps or other hedging contracts that might exist, and also ignore the effect of any offsetting deposit account (as for example in the case of an offset mortgage).

This provides an analysis of weighted average interest rates for the loan assets reported under 'Loans excluding overdrafts' in column 7 of D1 above. 'Interest rates at end of quarter' (columns 4, 5, and 6 of section D3) means rates applying at least throughout the last day of the quarter, so *firms* should not use rates which only come into operation at the beginning of the next quarter. Points to note on specific columns are:

(1) **Balances at end quarter**

Accrued interest should be included (even though it is excluded when computing the weighted average rate).

The first '**of which**' analysis is designed to obtain information on balances subject to **fixed rates** of interest and balances subject to **variable rates** of interest. (The two amounts should add to the balance in column 1). For these purposes:

'**fixed**' means the rate of interest is fixed for a stated period. It should also include any products with a 'capped rate' (i.e. subject to a guaranteed maximum rate) and any products that are 'collared loans' (i.e. subject to a minimum and a maximum rate). Annual review or stabilised payment loans should be excluded (since the purpose is merely to smooth cash flow on variable rate loans);

'**variable**' includes all other interest rate bases (i.e. other than those defined above as 'fixed') applying to particular products, including those at, or at a discount or premium to, one of the *firm*'s administered lending rates; those linked to Libor (or other market rate); those linked to an index (e.g. FTSE) etc. However if any such loan products are subject to a 'capped rate', then treat as 'fixed'.

The second '**of which**' analysis is designed to obtain information on loan balances according to whether the nominal annual interest rate charged to the customer at the quarter-end is higher than the prevailing Bank of England Base (or repo) Rate (BBR). For these purposes the BBR is that applying on the last day of the reporting quarter. The analysis is subdivided into four categories:

(i) loan balances where the rate charged is **less than 2% above BBR**. Include here also all loan balances where the rate charged is less than BBR (as a result the sum of these four columns will equal the figure in the TOTAL column);

(ii) loan balances where the rate charged is **2% or up to 3% above BBR**;

(iii) loan balances where the rate charged is **3% or up to 4% above BBR**;

(iv) loan balances where the rate charged is **4% or more above BBR.**

(2) **Weighted average nominal annual rates**

(a) Interest rates reported in Table D3 provide a broad indication of **market rates**. **They should ignore the effect of any interest rate swap or hedging**. For each line item the weighted average rate should be derived as follows:

(i) identify the various nominal/quoted interest rates that apply to elements of this line item; then

(ii) for each separate nominal/quoted rate, multiply that rate by the amount of end quarter balances (excluding accrued interest) for which that rate applies; and

(iii) add up the results of (ii) for all the different rates for this line item; and

(iv) divide the total calculated in (iii) by the corresponding end quarter balance in column 1, 2 or 3 less accrued interest (against the line item concerned).

NB: in the 'of which' analysis that requires separate reporting of weighted 'fixed' and 'variable' rates, **a cross check for each row** is that the weighted average nominal rate on all balances is equal to the weighted average of the reported fixed and variable rates in the subsequent two columns.

D3.1 –3.8 Other Points

The interest rate to be used is the rate charged to the loan account, which in certain circumstances will differ from the interest rate 'payable' by a borrower. These circumstances include deferred interest loans, interest roll-up loans, annual review schemes or where the loan is not performing.

Advances in quarter refers to the same amount as covered under 'advances in quarter' in the Loans: Advances/Repayments analysis in Section D1 above.

D4 **Loans: Commitments** (columns)

Commitments made since end of previous quarter

should include:

(a) the aggregate of formally agreed advances (whether or not the mortgage offer has been accepted by the prospective borrower), including amounts recommended for retention, all instalment elements, and further advances;

but should exclude:

(b) commitments from previous quarters that have been cancelled in the current quarter;

(c) retentions imposed and subsequently not released;

(d) instalment commitments that have not been taken up;

(e) advance cancellations that are not re-issued;

(f) sundry debits, e.g. insurance debits, fines, insurance guarantees, valuation fees, arrangement fees etc (unless formally treated as part of the loan, that is where such amounts are repaid over the period of the loan).

Cancellations in quarter

Includes (b), (c), (d) and (e) above.

Advances made in quarter

This refers to the same amount as covered under 'advances in quarter' in section D1 above.

Other debits/(credits) and transfers (net)

This is unlikely to be needed on a routine basis. It is intended to cover less frequent events such as loan commitments acquired on merger with another firm or acquisition of a loan book; or transferred on sale of a package of loans; or where 'commitments outstanding' need adjusting for reasons not attributable to other columns.

SECTION E: RESIDENTIAL LOANS TO INDIVIDUALS - New business profile

E1-6 **Gross advances in quarter**

Covers actual advances made in the quarter. For these purposes separate advances (e.g. stage payments) made in the period on the same mortgage should count as a single advance for the 'number' column in sections E3, E4, E5 and E6.

NB: 'gross advances' should be compiled on the same basis as in section D1 above and therefore relevant totals for each section in E1 to E6 should also agree with the amount of gross advances reported in D1.

E3-6 **Balances outstanding**

Covers balances at end of the quarter. Relevant sub-totals should agree with corresponding balances shown under 'Loans excluding overdrafts' in column 7 of D1.

E1/2 **By Income Multiple and LTV (Loan to Valuation ratio)**

The amount to be included in the table is the **gross advance**, but its allocation to a specific cell is determined according to income multiple and LTV which are both defined using the size of the loan (as defined below).

E1/2 **By Income Multiple and LTV**

Income multiple based on single or joint incomes

For this analysis, **'income'** should be taken as **gross annual income** before tax or any other deductions.

The loan should first of all be categorised to 'single' or 'joint' income basis, and the income multiple calculated as described below:

(i) **Single income basis**. This means only one person's income was taken into account when making the lending assessment/decision.

The income multiple here is the total loan amount divided by the borrower's total income (total of the borrower's main income and any other reckonable income e.g. overtime etc, to the extent that the *firm* takes such additional income into account in whole or in part).

(ii) **Joint income basis.** This means that two or more persons' incomes were used in the lending assessment/decision.

The income multiple here is the total loan amount divided by the aggregate income of the two or more borrowers.

(iii) **Other.** This category is to be used when the loan assessment is based, only partly or not at all, on one or more persons' incomes. Thus include here:

Under Single Income section (E1.6/E1.13)

- **Buy to let** loans where the loan assessment is based on the rental yield of the property (but not buy to let loans based solely on one or more persons' incomes which should be shown against the relevant income multiple category);

- **Lifetime mortgages** since in most if not all instances, the concept of a supporting income is not applicable;

- **Other products** (no current examples)

Under Joint Income Section (E2.6/E2.13)

- **Business loans**, where typically the loan assessment will be based on mixed sources of business/personal income or perhaps just on the capacity of a person's business to support the loan;

- **Other products** that have similar characteristics, that is where the loan assessment is based on either mixed income sources or non-personal incomes.

(iv) **Not evidenced.** This 'of which' analysis applies to loans made on the basis of one or more persons' incomes, and therefore should exclude any loans reported in "Other" (defined in (iii) above).

It covers loans where: the lender has no independent documentary evidence to verify income (e.g. as provided by an employer's reference, a bank statement, a salary slip, a P60, or audited/certified accounts

For the purpose of **income multiples**, the multiple is of **loan** to income where **loan** is as defined below.

Loan to valuation ratio LTV

Should be based on the following:

(i) **loan** is defined for:

(a) **new borrowers -** as the amount of actual advance or, in the case of loans where the amount advanced in the period is less than the total amount of the loan to which the *firm* has agreed to lend (for example loans with additional drawing facilities or loans involving instalments/stage payments/retentions), is the amount of committed advance (including any committed drawing facilities);

(b) **existing borrowers -** as the total amount of debt outstanding including the further advance plus any committed drawing facilities at the time of the further advance;

and will include MIG ("mortgage indemnity guarantee"), building and other insurance premiums and other sundry items **if** these are included in the amount advanced;

(ii) **valuation** is to be taken as the most recent valuation of the property which is subject to the mortgage (the existence of additional collateral on any other property should be ignored when calculating LTV). For these purposes, "recent valuation" can either be based on an actual valuation, or an estimated valuation using indexed valuation methodology applied to an original actual valuation. In the case of staged construction or self-build schemes, valuation means 'expected final value of the property' at the time the *firm* is committed to making the loan (i.e. takes the lending decision).

E3 Credit History

This seeks to categorise lending in terms of a borrower’s previous credit history, as measured at the point when the new advance is made. For these purposes, it is only necessary to establish a borrower’s credit history at a single point in time, i.e. at the time of making the loan. In practice this will usually be done at the ‘offer’ stage of making a loan. It is not intended that credit history should be reassessed after the loan has been made. However, if a further advance is made, then it will be necessary to re-assess.

In particular the aim is to separately identify under the heading 'Impaired credit history', those loans where it appears that the borrower has some form of adverse credit history:

(i) at the point when the new advance is made and the loan is reported under 'Gross advances';

(ii) subsequently for reporting under 'Balances outstanding', the amount of the loan at the quarter end to such a borrower (who at the point when the present loan was advanced, was deemed to have had an adverse credit history).

However, if there is subsequently a further advance on the loan (and which will be reported under ‘Gross advances’ in E3), this is an occasion to re-assess the borrower’s credit history. At that stage, the total amount of the loan (including further advance) should be classified under ‘Balances outstanding’ on the basis of the credit history as determined at the time of making the further advance. This means that the further advance and total loan amount will be reported on a consistent basis.

E3.1 Impaired credit history

If any of the following conditions are met at the time of making the loan, the borrower should be reported as having **an impaired credit history**:

(i) arrears on a previous (or current) mortgage or other secured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments;

(ii) arrears on a previous (or current) unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments;

(iii) one or more county court judgements (CCJs), with a total value greater than £500, within the last three years;

(iv) being subject to an Individual voluntary arrangement (IVA) at any time within the last three years;

(v) being subject to a bankruptcy order at any time within the last three years;

but *firms* should not include technical arrears as part of the above definition. Technical arrears means circumstances where the borrower has been the victim of a banking error giving rise to late payment.

NB In (i) to (v), *firms* should ignore whether the borrower has subsequently paid off arrears, or has satisfied/discharged a CCJ or IVA or bankruptcy.

In the case of loans involving **two or more borrowers**, the impaired credit test is whether any one of the borrowers individually meets any of the five listed impaired credit conditions.

E4 Payment type

This section analyses loans in terms of how the borrower is contractually expected to service the loan, and is split into four categories:

- repayment;
- interest only;
- combined; and
- other.

E4.1 Repayment (capital & interest)

This is the traditional payment option available to borrowers. Such loans involve regular periodic payments covering interest for the period and some repayment of capital.

E4.2 Interest only

This is the type of loan which requires the borrower to make regular payments of interest only (i.e. without any obligation to make periodic payments of capital). It includes 'endowment' type loans, others having an independent ultimate repayment vehicle (e.g. PEP, ISA or pension mortgages), as well as other interest only loans where there is either no specific ultimate repayment vehicle in place or where the lender does not formally require one to be in place.

E4.3 Combined

This section is for loans where both of the above payment types are in place (i.e. part of the loan is ‘repayment’, and part is ‘interest only’).

E4.4 Other

This category will contain loans where no regular periodic payment obligation is in place, for example secured overdraft facilities or secured credit cards, and *lifetime mortgages*.

E5 By drawing facility

These are loans which include an option to draw down further amounts (i.e. where, at the outset of the loan, extra drawing rights exist over and above the original amount advanced, **but not** those arising only in relation to previous overpayments).

The drawing facility category is also meant to indicate a facility that is only exercisable by the borrower (e.g. via a cheque book, on line transaction or on demand). It would therefore not apply to situations where a loan is merely subject to retentions or stage payments, since the borrower does not have a draw-down option that he can exercise.

E5.1 Extra drawing facility

These are loans which in general are structured as follows:

Example structure when flexible loan contract agreed

Amount of loan advanced	£65,000
Amount of extra drawing facility agreed to (but not advanced at outset of loan)	£15,000
Total loan facility up to	£80,000

E5.1 a) **Loans including unused facility**

This means the total loan facility i.e. the sum of the amount of loan advanced and the amount of extra drawing facility agreed (but not advanced at the outset of the loan):

(i) **gross advances in quarter** should detail those loans that include an extra drawing facility: show the number and amount of such loans;

(ii) **loans outstanding** means the end quarter balances (on original advance plus any subsequent draw downs) plus the residual amount of any unused drawing facility that remains available to the borrower: show the number and amount of such loans.

E5.1 b) **Unused facility**

This is the amount of the extra drawing facility that has not been drawn down by the borrower:

(i) **gross advances in quarter** should detail the unused facility element of such loans: show the amount;

(ii) **loans outstanding** means the end quarter balances of any unused extra drawing facility that remains available to the borrower: show the amount.

E5.1 c) **Net loans**

This can be calculated by subtracting the entry in row b) from the entry in row a).

E5.2 **Loans with no extra drawing facility**

Firms should report all other loans here.

E5.3 **TOTAL**

This figure should be calculated as follows:

(i) for '**Number'** by adding E5.1(a) and E5.2, and

(ii) for '**Amount**' by adding E5.1(c) and E5.2.

E6 **By Purpose**

This analysis is to identify the principal purpose of the loan, which should be available from the application form. A loan should therefore only be classified to one category of E6.1 – E6.7. A stage advance should be classified for the same purpose as the main advance.

E6.1/2 House purchase

Loans where the borrower is purchasing a house (or flat etc). *Firms* should include stage payments on such transactions here and not in 'further advances'. A distinction is drawn between loans for house purchase where the purpose is for owner occupation, or for buying with a view to letting ('buy to let').

Loans for owner occupation are required to be sub divided into those to first time buyers (FTBs, that is where the tenure of the main borrower immediately before this advance was not owner-occupier) and those to other buyers.

E6.2 Buy to let (BTL)

Such loans typically involve the borrower purchasing a residential property with the intention of letting it out on a rental basis.

The majority of BTL loans will be those used by the borrower to acquire a property with the intention of letting it on a commercial basis to unrelated third parties. That is to persons, who in relation to the borrower, are not '*related persons*' (where '*related persons'* are those set out in subsections (A), (B) and (C) of section 4 (iv) of the Introduction). These BTL loans are not *regulated mortgage contracts* and hence should be shown in columns 5 to 8 of E6.2 under 'Non regulated loans'.

However, where a BTL loan is used by the borrower to acquire a residential property that will be occupied by a *related person*, such a loan will normally be a *regulated mortgage contract* (providing it satisfies the other requirements of a *regulated mortgage contract*) and should therefore be shown in columns 1 to 4 of E6.2 under 'Regulated loans'. An example of such a loan is where a parent buys a house or flat for use by a student son or daughter, with a plan to take in other students on a rental basis.

Further advances and remortgages on any BTL loans should be included within E6.2

E6.3 Further advance

A further loan (either as a normal further advance, or as a second charge loan where the *firm* has the first charge) to an existing borrower of the *firm*, secured on the same property.

The underlying purpose of the further advance is not relevant and could include e.g. purchasing freehold interest in a currently owned leasehold property; buying a second property on the security of the first; as a consumer loan fully secured on residential property; or as a 'drawdown' on a flexible mortgage.

However, further advances on existing buy to let loans, and on *lifetime mortgage* loans should instead be reported against E6.2 and E6.6 respectively.

E6.4/5 Re-mortgage

Loans where the borrower is not moving house but is refinancing an existing loan, either one already with the *firm* or one from another lender. The whole amount of the new advance should be classified as 're-mortgage' even if it is larger than the existing loan.

Re-mortgages from another lender are well understood, and need no further comment.

But a **'re-mortgage' by one of a firm's existing borrowers** (i.e. 'own borrower' in E6.4) will not always be transacted in exactly the same way by different lenders. The following comments are designed to provide some illustrative examples, and indicate how the actual transaction between lender and borrower should be reported:

- **Example 1**: borrower changes from variable rate to fixed rate, with loan amount unchanged, at say £100k. Some lenders' systems formally treat this as a redemption and a new loan advance which is reportable under "advances" in D1 (in which case report as "re-mortgage" under this analysis of advances in E6), but other lenders treat it as an interest variation and not as a new advance (so not included in advances in D1 or E)

- **Example 2**: borrower changes from variable rate to fixed rate and takes out additional loan at the same time, say extra £25k on top of existing £100k. Some lenders will treat as a redemption of £100k and a new advance of £125k (in which case the £125k is a re-mortgage), but others may treat as two loans (with first loan regarded as just subject to an interest rate variation, and the extra loan as a "further advance")

- It is recognised that practices vary among lenders when it comes to further advances or re-mortgages. What is important is that the actual transaction between the lender and the borrower is reflected in the MLAR.

- Thus if a firm genuinely treats the advance of new money as a further advance (perhaps setting up a second sub account), then that should be reported as such (e.g. at E6.3)

- However if the old loan is formally replaced with a new loan (at the same or increased size) and this is reported in "advances" in D1, then the new loan should similarly be reported in E, and in E6.4 shown as "re-mortgage".

NB However, re-mortgages on existing buy to let loans, and on *lifetime mortgage* loans, should instead be reported against E6.2 and E6.6 respectively.

E6.6 Lifetime mortgages

(i) Regulated loans: Lifetime mortgages (columns 1 to 4)

This is a specific type of *regulated mortgage contract,* which is defined in the *Handbook* as follows:

A *regulated mortgage contract* under which:

(a) entry into the mortgage is restricted to borrowers of a specified age; and

(b) the *mortgage lender* does not generally specify a period at the end of which the amount borrowed (plus interest, if any, outstanding) must be repaid, and while the *customer* continues to occupy the mortgaged land as his main residence:

(i) no instalment repayments of the capital and no payment of interest on the capital (other than interest charged when all or part of the capital is repaid voluntarily by the *customer*), are due or capable of becoming due; or

(ii) although interest payments may become due, no full or partial repayment of the capital is due or capable of becoming due; or

(iii) although interest payments and partial repayment of the capital may become due, no full repayment of the capital is due or capable of becoming due; and

(c) the loan made to the *customer* is repayable in one or more of the following circumstances:

(i) the death of the *customer*; or

(ii) the *customer* enters into long term care; or

(iii) the *customer* moves into sheltered accommodation or residential care; or

(iv) the *customer* acquires another dwelling for use as his main residence; or

(v) the *customer* chooses to repay all or part of the loan; or

(vi) the *mortgage lender* exercises its legal right to take possession of the mortgaged land under the terms of the contract.

(ii) Non-regulated loans: 'Lifetime mortgage' (columns 5 to 8)

Loans to be included under these columns include:

- loans having broadly similar characteristics to those set out in (i)(a), (b) and (c) above, but which were advanced before 31 October 2004. Such loans will usually have been known as 'equity release loans'.

- loans made after 31 October 2004, which whilst not satisfying the full criteria needed to be classed as a *regulated mortgage contract* (e.g. since a second but not a first charge is taken), nonetheless match the characteristics set out in (i)(a), (b) and (c) above.

(iii) **Further advances and re-mortgages** on any of the loans described in (i) and (ii) above, should be included within E6.6

E6.7 Other

Would include for example where a borrower is not moving house but takes a loan on the security of his previously unmortgaged property.

SECTION F: LENDING - ARREARS ANALYSIS

Introduction

The guidance notes in this section serve two purposes: they provide guidance for

(i) items **F1 to F5** shown in *MLAR* table F.

For these sections, the analysis of lending refers to on-balance sheet loan assets only, but excluding overdrafts (ie as included under 'Loans excluding overdrafts' in column 7 of section D1 of table D)

The responsibility for completing table F lies with the authorised lender, irrespective of whether the lender administers the loans itself or out-sources the administration elsewhere. The information should therefore appear as part of the lender's MLAR.

(ii) items **H1 to H5** shown in *MLAR* table H.

For these sections, which cover reporting of arrears by *firms* with a *mortgage administrator's* activity, the analysis should include arrears in respect of the types of residential loans to individuals set out in the guidance notes for table G, but only where the firm is acting as 'principal administrator'. For *guidance* on items H1 to H5 see corresponding guidance against items F1 to F5. Similarly references in the *guidance* notes to any items F1 to F5, should also be read as referring to items H1 to H5 when completing table H.

F1 to F4 **Arrears categorisation by type of loan**

For these sections, the analysis of lending is divided into two main types:

(i) residential loans to individuals (split between regulated and non regulated business);

(ii) all other secured loans.

The analysis is based on expressing **the amount of arrears** on each loan as a percentage of the **balance outstanding** on the loan, allocating cases to relevant arrears bands, providing details of cases moving up into more serious arrears bands in the quarter, and giving information on loan performance during the quarter. (In cases where there is more than one loan secured on a single property, these should be amalgamated, where possible, in reporting details of arrears cases.)

Definitions of terms used above, and those related to them, are given below in sections having side headings numbered 1, 2, 3, 4, 5 and 6.

F1.6/F2.6 & F3.6/F4.6 **In possession**: cases should be included here where the property is taken in possession (through any method e.g. voluntary surrender, court order etc). For development loans in particular, cases should also be included where the appointment of a receiver and/or a manager has been made, or where the security is being enforced in other ways (which may or may not also involve the existence of arrears e.g. building finance case with interest roll up, no arrears, but a current valuation is less than the outstanding debt).

1. Balance outstanding (columns 3 and 6)

1.1 This is the amount of total debt at the reporting date, and should comprise the total amount outstanding (after deducting any write-offs but without deduction for any provisions) in respect of:

(i) the principal of the advance (including any further advances made);

(ii) interest accrued on the advance (but only up to the reporting date), including any interest suspended;

(iii) any other sum which the borrower is obliged to pay the *firm* and which is due from the borrower, e.g. fees, fines, administration charges, default interest and insurance premiums;

and is intended to be consistent with the basis used for presentation of gross balances outstanding shown in the balance sheet section of the return (i.e. at A3 Column 1 for on-balance sheet or unsecuritised balances, and at A3 column 4 for securitised balances), with the addition for tables F and H of any interest suspended not included in the balance sheet.

2. Amount of arrears (columns 2 and 4)

2.1 Arrears will arise through the borrower failing to service any element of his debt obligation to the *firm*, including capital, interest, or fees, fines, administrative charges, default interest or insurance premiums.

2.2 At the reporting date, the **amount of arrears** is the difference between:

(i) the accumulated total amounts of (monthly or other periodic) **payments due** to be received from the borrower; and

(ii) the accumulated total amount of **payments actually made** by the borrower.

2.3 Only amounts which are **contractually due** at the reporting date should be included in 2.2(i) above. That is:

(i) include accrued interest only up to the reporting date but not beyond;

(ii) and, only include a proportion of any annual insurance premium if the *firm* permits such amounts to be paid in periodic instalments. However if the terms of the loan or the lender's practice are such as to permit insurance premiums to be added to the loan principal then do not treat such amounts as contractually due;

(iii) similarly, where 'any other sum' has been added to the loan (see 1.1 (iii) above), only include such proportions as are contractually due (e.g. if it is the practice in particular circumstances to add the sum/charge to the loan and require repayment over the residual term of the loan);

(iv) in assessing 'payments due' when a borrower has a **flexible loan,** it is important to apply the contractual terms of the loan: for example, payment holidays which satisfy the terms of the loan should not be treated as giving rise to an arrears position;

(v) do not however include 'Deeds Store' loans in the arrears figures (that is, loans where the debt is de minimis e.g. £100, but the borrower still has insurance premiums to pay and perhaps some instalments are overdue).

2.4 In the case of **annual review schemes** the 'payment due to be received' under 2.2(i) is that calculated under the scheme. This may well differ from the amount charged to the account but should not of itself give rise to any arrears, providing the borrower is making the level of payments advised by the *firm*. The same principles apply to deferred interest products - if the borrower is making the payments that are required under the loan arrangements then he is not in arrears, even though the debt outstanding is increasing.

2.5 Where a *firm* makes a **temporary 'concession'** to a borrower (i.e., an agreement with the borrower whereby monthly payments are either suspended or less than they would be on a fully commercial basis) for a period, the amounts included in 2.2(i) are those contractually due (and at commercial rates of interest). Hence the borrower will continue to be in arrears and the level of arrears will in fact continue to increase until such time as he is able fully to service the debt outstanding.

2.6 Where the terms of the loan do not require payment of interest (or capital) until a stated date or until redemption or until certain conditions are triggered, as for example in the case of certain building finance loans, then the loan is not in arrears until such time as contractual repayments are overdue. There may be circumstances however where, even though the loan is not in arrears, it falls to be reported under F1.6, F2.6, F3.6 or F4.6. (See notes on F1.6/F2.6/F3.6/F4.6 at beginning of Section F.)

2.7 The reporting treatment of cases where arrears have been capitalised is dealt with in section 3 below.

2.8 Where a '**capitalisation**' case that has at one time been correctly removed as fully performing (see section 3) but at some later time defaults, then this should be treated as a new default and the amount of arrears taken as that arising from this new default. That is, the previously capitalised arrears should not be reinstated as current arrears.

3. Capitalisation of arrears and reporting criteria

3.1 By '**capitalisation'** we mean a formal arrangement agreed with the borrower to add all or part of a borrower's arrears to the amount of outstanding principal (i.e. advance of principal including further advances less capital repayments received during the period of the loan) and then treating that amount of overall debt as the enlarged principal. This enlarged principal is then used as the basis for calculating future monthly payments over the remaining term of the loan. Where less than the full amount of arrears is capitalised (or indeed where none of the arrears is capitalised) then, providing there are arrangements made for the borrower to repay the non-capitalised arrears over a shorter period ranging for example from 3 to 18 months, this type of arrangement should also be regarded as an equivalent of 'capitalisation'.

3.2 The decision to 'capitalise' (or treat as if capitalised) is a business decision between the *firm* and the borrower. However for the purposes of consistency in reporting arrears cases in table F (and reporting capitalisations in section F5) the following **reporting criteria** should be used where a *firm* has capitalised the loan (or treated as if capitalised) and reset the monthly payment:

(i) such an arrears case should continue to be included in sections F1 – F4 as an arrears case until the loan has been '**fully performing**' (see (ii) below) for a period of six consecutive months (any temporary increase in arrears during this qualifying period has the effect of requiring six consecutive months of fully performing **after** such an event). Until that time it should be included in table F, and be allocated to the arrears band applicable at each reporting date as if 'capitalisation' had not taken place;

(ii) for these purposes a loan is considered to be 'fully performing' only where the borrower has been meeting all obligations on the loan with regard to repayments of principal, interest (at a normal mortgage rate on the full balance outstanding, including as appropriate any relevant past arrears), any payment towards clearing past arrears as agreed with the *firm* and any default payments due levied in respect of previous missed repayments. That is, amounts may be either added to the principal of the loan or otherwise repaid over a shorter period than the residual term of the mortgage, as agreed between *firm* and borrower. But then this revised payment schedule must be fully maintained for a six month period before the arrears can qualify to be treated as capitalised for reporting purposes and hence removed from the arrears cases in table F;

(iii) arrears cases qualifying as 'fully performing' under (ii) **should then be omitted from sections F1-F4**, and should then be reported in section F5 for the same reporting period during which the removal occurs.

4. Cases entering higher (i.e. more serious) arrears band in quarter (columns 1 to 3)

This refers to those cases now included in a particular arrears banding which may have been classified in a **less severe** (**i.e. lower numerical**) **band** at the end of the previous quarter, but which have deteriorated sufficiently during the quarter to move to a more severe arrears band. This would mean, for example, that cases that were previously excluded from the arrears table being less than 1.5% in arrears would now be entered in the '1.5 < 2.5%' arrears band (i.e. 1.5% or less than 2.5%) in F1.1, and F1.6 (and F2.6/F3.6/F4.6) will show details of those cases taken into possession during the quarter which were previously classified as in arrears under any of F1.1-1.5 (or F 2.1-2.5/3.1-3.5/4.1-4.5, as the case may be). Cases which have improved during the quarter and which could now be classified in a less severe arrears band should not be included in these 3 columns.

5. Number (of cases) (Columns 1 and 4)

5.1 In cases where there is more than one loan secured on a single property, these should be amalgamated, where possible, in reporting details of arrears cases.

5.2 In cases involving, for example, arrears on loans to property developers (which would come under F4), the loan should count as a single case in the number column irrespective of the number of properties on the development itself.

6. Performance of current arrears cases (column 7)

6.1 This analyses all those arrears cases included in columns 4 to 6 and gives a measure of performance covering all of the loans in a particular arrears band at the end of the quarter. The measure, which compares 'actual' with 'expected' payments, is required to be calculated for a single time period: the 3 months covered by the firm's latest financial quarter. For this time period, the performance measure should be calculated as a percentage as follows:

$$\frac{\text{total of 'payments received' from borrowers}}{\text{total of 'payments due' from borrowers}} \times 100$$

where:

(i) 'payments due' means amounts due under normal commercial terms (and not the lesser amounts which may have been agreed as part of any temporary arrangement) fully to service the loans: that is the balances outstanding including those elements referred to in 1.1 above such as insurance, fees and fines etc. (If for some reason this is not readily available then a suitable approximation can be derived for each relevant quarter by applying one quarter of the annual interest rate to the appropriate balance outstanding, and adding in other payments due for example insurance, fees and fines etc); and

(ii) 'payments received' should be limited to regular repayment of interest, capital and other sundry charges to the loan account, and should exclude abnormal repayments (e.g. sale proceeds of property in possession, and large lump sum repayment of part or all of the outstanding balance). The reasoning behind this is that excess payments on one or more arrears cases would otherwise have the effect of compensating for underpayment on other arrears cases and, as a result, give an overstated performance measure. Therefore, in compiling aggregate payment received figures (as part of the payment performance ratio) the contribution from an individual loan in arrears should be limited to no more than the 'payment due' amount.

6.2 The amount to be entered on the return is a percentage to 2 decimal places. Given the limitation described in 6.1 (ii), it cannot exceed 100%.

6.3 In calculating the performance measure on possession cases (F1.6, F2.6, F3.6 and F4.6), the following points are relevant:

(i) 'payments received': in many cases these may be nil, but not always since the property in possession may be let out and a rental income received. In each case the payment received should be included for the purposes of calculating the performance measure;

(ii) 'payments due': in recognition of the fact that amounts of interest will still be charged to the borrower’s account, then the 'payments due' should be calculated as three months’ interest at normal commercial rates of interest;

(iii) however, in F1.6, F2.6, F3.6 and F4.6, it is likely that the performance measure will in most instances be zero;

(iv) the relevance of the above however, is that 'payments due' on possession cases need to be computed in order to feed into the overall performance measure at F1.6, F2.6, F3.6 and F4.6.

6.4 The overall measure of performance at F1.7 (and similarly at F2.7, F3.7 and F4.7) includes possessions, and is the ratio of:

(i) 'payments received' on all cases in F1.1 to F1.6

(ii) 'payments due' on all cases in F1.1 to F1.6

The same approach should be used for F2.7, F3.7 and F4.7.

F5 **Arrears management**

Number of Sales/Number of (arrears) cases

In cases where there is more than one loan secured on a single property, these should be amalgamated where possible in reporting details of possession cases sold during the period in F5 (column 1), and details of arrears cases in F5 (columns 3 & 4).

Balance outstanding

In F5 (columns 2 and 5) this is as defined in section F/1 paragraph 1.1 (including in the case of properties sold the costs of sale where these have been debited to the borrower's account), and should be the balance at the end of the quarter.

Possession sales during quarter

Firms should include in F5 (columns 1 and 2) **all** properties sold in the quarter irrespective of whether losses have occurred.

Capitalisation of arrears cases in quarter

Details should be given in respect of those cases which, having previously been in the reported figures in table F on arrears, have now been capitalised (or treated as if capitalised), have satisfied certain performance criteria for six months, and have been **removed** during the latest quarter from the arrears figures which now appear in sections F1 – F4. Sees paragraph 3 of section F of the *guidance* notes.

Cases involving temporary concession or arrangement

In respect of the number of cases in arrears at the end of the quarter (i.e. reported in F1 to F4.7), details should be given of those cases for which the lender has taken steps to assist the borrower in some way.

Specifically, *firms* should state in how many cases a **temporary concession** has been made (see paragraph 2.5 in Section F), and in how many cases a formal **arrangement** to capitalise has been made (see paragraph 3.1 in section F, which also includes within the term 'arrangement' the example of a borrower making increased monthly payments to reduce some or all existing arrears). The balancing number should be shown in the next column 'No concession/arrangement'.

SECTION G: MORTGAGE ADMINISTRATION – BUSINESS PROFILE

Introduction

Article 61 of the Regulated Activities Order establishes *administering a regulated mortgage contract* as a *regulated activity*. This applies equally to those *firms* that are lenders, and those whose principal business is to undertake mortgage administration on behalf of third parties.

For *firms* that are authorised as *mortgage administrators* only, the information sought in this section will enable the *appropriate regulator* to establish the extent and nature of the *firm*'s mortgage administration business. The *appropriate regulator* will be able to assess the potential risks posed by the *firm*'s business activities and tailor its regulatory response accordingly.

A *mortgage administrator* is a *firm* with *permission* (or which ought to have *permission*) for administering a *regulated mortgage contract* and where, as defined in article 61(3)(b) of the *Regulated Activities Order*, *administering a regulated mortgage contract* consists of either or both of:

- notifying the borrower of changes in interest rates or payments due under the contract, or of other matters of which the contract requires him to be notified; and
- taking any necessary steps for the purposes of collecting or recovering payments due under the contract from the borrower;

but does not consist merely of having or exercising a right to take action to enforce the *regulated mortgage contract*, or to require that action is or is not taken.

You should note that this section applies to *firms* with just *a mortgage administrator's* activity and those with both a *mortgage lender's* and *mortgage administrator's* activity.

You should also note, however, that if you have both a *mortgage lender's* activity and a *mortgage administrator's* activity to administer your own book and do not have any off-balance sheet loans to administer, then you should not complete this section of the *MLAR*.

'Principal' and 'Other' Administrators

Because of the extent of specialisation and separation of activities in the provision of mortgage lending and administration services, we need to identify whether a firm that is authorised as a *mortgage administrator* is acting for MLAR purposes as a 'principal administrator' or as an 'other administrator':

- **Principal administrator:** this is where your firm is authorised to undertake a *mortgage administrator's* activity, and is exercising that activity on behalf of either a lender or other firm that is not itself authorised to undertake a *mortgage administrator's* activity;

- **Other administrator:** this is where your firm (although authorised to undertake a *mortgage administrator's* activity) is undertaking loan administration for either a lender or other firm which itself is also authorised to undertake a *mortgage administrator's* activity. In this situation, your firm is not regarded as the 'principal administrator', and you are merely acting on behalf of an authorised *mortgage administrator.*

G1 Mortgage contracts administered at end quarter

Where your firm is acting as Principal administrator (columns1-3)

Collects data on mortgage contracts administered as at the end of the quarter, but only where you are formally acting as principal in exercising a *mortgage administrator's* activity. It therefore excludes the reporting of:

- any loan administration where you, being a firm without a *mortgage administrator's* activity, are merely providing an outsourced service for a third party which does have a *mortgage administrator's* activity and which is exercising it in respect of those loans; and
- any loan administration where you, a firm having a *mortgage administrator's* activity, are acting as agent and providing an outsourced service for a third party which itself has a *mortgage administrator's* activity and which is exercising it in respect of those loans.

If you also have a *mortgage lender's* activity, then you should treat your own on and off-balance sheet loans as follows:

(i) your *firm's* on-balance sheet loans should be excluded from G1.1 a) and G1.2 a). These items will therefore only include loans administered for third party lenders who do not themselves have a *mortgage administrator's* activity;

ii) your *firm's* off-balance sheet loans should be included in G1.1 c) and G1.2 c). These will be the loans you have shown in section A3 "Securitised balances" under "gross balances". (These items G1.1 c) and G1.2 c) will also include loans you administer for other *special purpose vehicles* where you are formally exercising your *mortgage administrator's* activity).

Where your firm is acting as Other administrator (columns 4-6)

Record under these columns all of the mortgage contracts administered at the end of the quarter where you are not acting as a principal administrator.

G1.1 Number of loans

You should detail the number of *regulated mortgage contracts* administered as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other *firms* (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for *special purpose vehicles* ('SPVs').

You should also detail the number of non regulated loans administered as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

The total (all loans) is the sum of *regulated mortgage contracts* and non-regulated loans.

G1.2 Balance outstanding on loans

You should detail the balances outstanding on all *regulated mortgage contracts* that you administer as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

You should detail the balances outstanding on all non regulated loans that you administer as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

The total (all loans) is the sum of *regulated mortgage contracts* and non-regulated loans.

G2 Lenders for whom mortgage administration was being carried out at quarter end

Collects data only on the top five lenders for each category by value (i.e. the largest five *firms* by value, based on balances outstanding on regulated loans) for whom mortgage administration was being carried out at the quarter end. (Details on other lenders are not required to be shown, over and above the top five listed in each category.)

The analysis required in G2 covers all *mortgage administration* activity undertaken by your firm, irrespective of whether your firm is acting as a 'principal' or 'other' administrator. The final column of the analysis, however, asks you to indicate your status for each firm listed, namely whether acting as 'Principal' or as 'Other' administrator.

G2.1 Firms with a mortgage lender's activity

Please detail the top five *firms* (by value) for whom *mortgage administration* was being carried out at the quarter end.

You should include the *firm's* reference number in addition to the name of the *firm*.

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five *firms* for whom you administer such contracts.

The total (all loans) for each firm listed is the sum of *regulated mortgage contracts* and non-regulated loans.

G2.2 Other firms

Please detail the top five other *firms* (by value) for whom *mortgage administration* was being carried out at the quarter end (but who themselves do not have a *mortgage lender's* activity).

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five other firms for whom you administer.

The total (all loans) for each *firm* listed is the sum of *regulated mortgage contracts* and non-regulated loans.

G2.3 SPVs

Please detail the top five SPVs (by value) for whom *mortgage administration* was being carried out at the quarter end. If your *firm* has off-balance sheet loans (which it has reported in G1.1 c) and G1.2 c)) then please show your *firm* as one of these five SPVs as follows:

- group together all SPVs for which your *firm* is the originator and show the aggregated amounts on a single line (irrespective of whether the total of regulated loans for all such SPVs would rank within the top five);
- under "firm reference" column, put your *firm's* reference number;
- under "Name of firm" column, put your *firm's* name followed by "own SPVs" in brackets, for example XYZ firm name (own SPVs).

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five SPVs for whom you administer.

The total (all loans) for each SPV listed is the sum of *regulated mortgage contracts* and non-regulated loans.

SECTION H: MORTGAGE ADMINISTRATION – Arrears Analysis

Type of loans to be reported

This arrears analysis should cover only those types of loan listed below, in respect of which your *firm* is formally acting as principal in exercising a *mortgage administrator's* activity. Thus, irrespective of whether your *firm* has a *mortgage administrator's* activity, if you are merely acting as an administrator for a third party that itself has, and is exercising, a *mortgage administrator's* activity, then you should not include any such loans in this analysis.

The types of loans to be included in the analysis are:

(i) loans administered for *firms* which do not themselves have a *mortgage lender's* activity. These are the loans reported at G1.2 b) in table G.

(ii) loans administered for third party SPVs.

(iii) where your *firm* has a *mortgage lender's* activity, loans that represent your firm's off-balance sheet loans and which you have reported in section A3 of table A as "gross balances" under "Securitised balances".

NB loans in (ii) and (iii) are all those shown in G1.2c of table G.

The information presented in table H should represent the total of all such loan types listed above, in a single version of the table.

H1-H5 Guidance on arrears items

The *guidance* for these items is provided in section F of these guidance notes, where items H1 to H5 correspond to items F1 to F5.

The arrears analysis is of loan balances excluding overdrafts, as is the case in section F.

SECTION J: FEE TARIFF MEASURES

J1 Introduction

The purpose of this section is to enable the *firm* to provide data on the current **fee tariff measures** that apply to each of the regulated activities of *home finance providing activity* and *administering a home finance transaction*.

This section also distinguishes between the fee tariff measures that apply to the *appropriate regulator* and *FOS* (Financial Ombudsman Service).

Since the relevant fee tariff measures may change from time to time, these *guidance* notes merely define **where** the current definitions of fee tariff measures are to be found. Accordingly the following is a reference to the relevant part of the *appropriate regulator's* website where such details can be found:

* Refer to *FEES 4* Annex 1R of the Rule*book* for the *appropriate regulator* fee tariff*

*Refer to *FEES* 5 Annex 1R of the FCA's *Handbook* for the *FOS* fee

tariff*

To the extent that the *FOS* fee tariff measure requires other relevant activities that the *firm* carries out to be taken into account, these should be included in J1.3.

In relation to section J of the *MLAR*, *firms* must report the information required by this section solely in their year end *MLAR*. *Firms* with an *accounting reference date* of between 31 December and 31 March (inclusive) must report the information required by this section as at 31 December of the calendar year immediately before the relevant fee period. All other *firms* must report the information required by this section as at 31 December of the previous calendar year. For example, for 2006/07 fees, for *firms* with an *accounting reference date* of between 31 December 2005 and 31 March 2006 (inclusive) the information required by section J is that calculated as at 31 December 2005. For all other *firms* the information required by section J is that calculated as at 31 December 2004.

SECTION K: SALE AND RENT BACK BUSINESS (SRB)

Introduction

This section must be completed as follows:

- *SRB agreement providers* must complete K1 to K4
- *SRB administrators* must complete K5
- *Firms* that are both *SRB agreement providers* and *SRB administrators* must complete K1 to K5.

K **SRB: Residential sales by individuals**

It is expected that *firms* will have the following to report:

- regulated SRB agreements: in respect of transactions entered into since SRB became a *regulated activity*, and
- non-regulated SRB agreements: in respect of transactions of a similar nature entered into before SRB became a *regulated activity* which are still being administered; and also any new contract that, while not meeting the precise conditions for a regulated contract, nonetheless has similar characteristics (for example cases where the purchaser is not regulated or where the *firm* has purchased a property under value and rents an alternative property to the seller).

This approach means that all new and existing sale and rent back agreements – whether regulated or not, and whether transacted before or after SRB became a *regulated activity* – must be included in the information reported by the *firm* in section K.

K1 **Overall business summary**

This section looks at the *firm*'s SRB position at the start of the reporting quarter, at the various movements in the quarter, and at the end quarter position. Details required are:

K1.1 **SRB agreements at start of quarter**: those agreements that existed at the end of the previous quarter. This line should normally agree with figures reported as at the previous quarter end.

K1.2 **New sales in quarter**: new SRB agreements transacted in the quarter, where the *firm* has obtained title to the property and monies have been paid to the SRB seller. 'Amount' is the sale value (paid to seller) and should be reported gross, that is, before the deduction of any fees and charges.

K1.3 **Disposals in quarter**: SRB agreements where the *firm* has sold the actual property. 'Amount' is the SRB value of the contract as used for the same contract reported in K1.1. Transfers or sales of SRB agreements should be reported under 'Business transfers-sales' below.

K1.4 **Business transfer-acquisitions**: where the *firm* acquires one or more existing SRB agreements from another party or parties.

K1.5 **Business transfer- sales**: where the *firm* sells one or more existing SRB agreements to another party or parties. Include also transfers of such agreements to any party.

K1.6 **Other**: include any other amounts which affect the balances reported in K1.1 and K1.7, that is which reflect any change in the book value of any SRB agreements during the quarter. This is to capture any 'amounts' that will affect the overall position but is not covered by K1.2-K1.5. A value is required to be recorded in the 'Amount' column only.

K1.7 **SRB agreements at end of quarter**: the number and book value of SRB contracts in existence at the end of the quarter.

K1.8 **SRB agreements arranged for unauthorised persons:** The number of SRB agreements arranged where an unauthorised person has obtained title to the property and monies have been paid to the SRB seller. The 'Amount' is the sale value (paid to seller) and should be reported gross, that is, before the deduction of any fees and charges.

NB: it is expected that figures in K1.7 will reconcile with those in other rows as follows:

- For 'Numbers': K1.7 = K1.1 +K1.2 – K1.3 + K1.4 – K1.5
- For 'Amounts': K1.7 = K1.1 + K1.2 – K1.3 + K1.4 – K1.5 + K1.6

K2 New business in the quarter

This section looks at various aspects of new business that has been transacted in the quarter: each is described below. For each aspect:

- The '**sale value**' means the gross amount paid to the seller before any fees and charges have been deducted.
- The 'All sales' line should agree with figures reported in K1.2.

K2.1 to 2.3 Sales: analysed by **discount on open market value** (OMV)

Here SRB transactions are classified into different bands, according to the amount of **discount** expressed as a percentage of the open market value of the property that is subject to the SRB contract. Discount is the open market value minus the sales value.

Values are required to be recorded in both the 'Number' and 'Amount' columns. So for example, for those SRB agreements where the discount is 30% to under 40%, enter the total number of such sales and the total sales values of those agreements in the relevant boxes on the K2.2 line.

K2.4 Average of all sales

The average discount is recorded as an amount. This value should therefore be recorded in the 'Amount' column only. For example, if 4 properties with an open market value of £100,000 were bought at a 25% discount and 4 properties with an open market value of £120,000 at a 35% discount, the average amount of discount is £33,500.

K2.5 to 2.6 Sales: analysed by **provider fees charged**

Here, SRB transactions are classified into two different bands, according to the amount of provider fees charged to the SRB agreement. Enter the total number of such sales in the 'Number' column and the total sales values of those agreements in the 'Amount' column.

K2.7 Average fees charged

The average amount of provider fees are recorded here. This value should be recorded in the 'Amount' column only. For example, if 8 new agreements were entered into during the quarter with provider fees totalling £4000, enter £500 (£4000 divided by 8) in the 'Amount' column.

K2.8 to 2.9 Sales: analysed by **annual rent as percentage of sale value**

K2.8 Here the total number of new SRB agreements (entered in the 'Number' column) and the amount of average monthly rent being charged at the outset of the agreements (entered in the 'Amount' column) is recorded.

K2.9 The average rental yield percentage is calculated as the **total** annual rent for all new SRB agreements in the quarter divided by the total sales values, entered in the 'Amount' column.

K3 **SRB agreements terminated or transferred in the quarter**

This analyses SRB agreements terminated by either the provider or seller, and also those SRB agreements transferred to other parties.

K3.1 to K3.6 **Agreements terminated:**

By firm

This is where the seller has breached the terms and conditions of the SRB agreement and the provider has exercised the right to terminate the contract. Here, terminations are analysed according to the duration of the contract in particular time bands. For each time band, enter the total number of such terminations

At the end of the quarter, some or possibly all of these agreements in K3.1 to K3.6 will also be included in end-quarter figures at K1.7. Those not included may already have been disposed of (reported at K1.3), or sold or transferred to third parties (reported at K1.5).

By seller

This is where the seller has exercised the right to buy back the property under the SRB agreement, or where the seller has terminated the tenancy agreement before the end of the fixed term. Here, redemptions are analysed according to the duration of the contract in particular time bands.

For each time band, enter the total number of such transactions.

K3.7 to K3.9 **Transfers and Disposals**

Transfers

This covers SRB agreements which are sold or transferred to third parties, but where the contract itself remains in being.

The analysis looks into the status of each SRB agreement when it is sold or transferred.

Firms should report:

- original SRB values: the gross sales value paid to the seller;
- current SRB values: the book value of the contract at time of sale/transfer; and
- actual disposal/transfer values: the value of the contract as recognised in the agreement with the acquiring party.

Disposals

This covers disposals made during the normal course of business, and does not include business transfers. This is a further analysis of ‘disposals’ reported in K1.3.

Firms should report:

- original SRB values: the gross sales value paid to the seller;
- current SRB values: the book value of the contract at time of disposal; and
- actual disposal/transfer values: the price obtained on sale (before deducting any costs of sale).

K4 **SRB agreements at end of quarter: cases 10% or more in arrears**

Firms should report those SRB contacts where the total amount of arrears on rental payments is 10% or more of the annual rental amount. Cases should be allocated to the relevant arrears band according to the percentage in arrears.

For each arrears band, report the number of such cases, and the amount of arrears, and the amount of the expected annual rent on these cases.

K5 **SRB administrators**

Firms holding SRB administration permissions must complete the number of regulated SRB agreements that they administer, the number of non-regulated SRB agreements that they administer and the number of SRB agreements that they administer for other firms.

The agreements administered for third parties must be further broken down by the number of SRB agreements administered for the largest five *firms* that they administer regulated SRB agreements for.

SECTION L: CREDIT RISK

INTRODUCTION

The purpose of this *data item* is so that a *firm* can provide an analysis of its credit risk capital requirement as calculated under *MIPRU* 4.2A, 4.2B and 4.2C.

This *data item* is only relevant to *firms* that meet the criteria set out in note 2 of *SUP* 16.12.18BR in the FCA's handbook. If that is the case then all relevant exposures must be included in the credit risk capital requirement calculation. See *MIPRU* 4.2A.4R.

Please note that this *data item* is intended to be a summary of the credit risk capital calculation as calculated under *MIPRU* 4.2A, 4.2B and 4.2C and is not a detailed work schedule.

Data elements: These are referred to by row first then by column, so data element 2B will be the row numbered 2 in column B.

Section L is structured in three parts. The first part (rows 1-7) focuses on the breakdown of the credit risk capital requirement by types of exposure. The second part (rows 8-14) is a memo section that requests further detail on specific elements that will already be incorporated within the first part. The third part (rows 15 and 16)
requests transaction level information on a *firm's* securitisations.

Part 1 – Rows 1 to 7
This part of the *data item* focuses on providing a breakdown of a *firm's* credit risk capital requirement under the two categories of 'loans/exposures that are not securitised' and 'loans/exposures securitised'. The category 'loans/exposures not securitised' is further broken down into four loan/exposure types. A *firm* should report its credit risk capital requirement across the five loan/exposure types under the two categories of 'loans/exposures that are not securitised' and 'loans/exposures securitised' in rows 1 to 5.

Please note: This part cannot be used as a worksheet to calculate the credit risk capital requirement for each loan/exposure type, because some loan/exposure types may contain more than one risk weighting within the row.

Row 1 – Loans with mortgages on residential property
A *firm* should include all loans entered into with mortgages on residential property that have not been securitised in this row. This includes loans that are past due, buy-to-let loans on residential property, second charge and subsequent mortgages on residential property, and mortgages on residential property irrespective of the loan to value.

Row 2 – Loans with mortgages on commercial property
A *firm* should include all loans with mortgages on commercial property that have not been securitised in this row. This includes loans that are past due, buy-to-let loans on commercial property, and second charge and subsequent mortgages on commercial property.

Row 3 – Other Loans

A *firm* should include in this row all loans that are not included in rows 1, 2, 4 and 5.

Row 4 – Collective Investment Undertakings
A *firm* should include all positions in collective investment undertakings in this row.

Row 5 – Securitisation (originated only)
A *firm* should include all positions in assets that have been included in securitisations originated by the *firm* in this row. Rows 15 and 16 request further detail on these exposures. See *MIPRU* 4.2B for more information on calculating the credit risk capital requirement for securitisations.

Column A
A *firm* should report the exposure value of assets for each of the five loan/asset types. This should be the balance sheet value (i.e. net of any provisions). See *MIPRU* 4.2A.6R.

Column B
A *firm* should report here the amount of credit risk mitigation for each of the five loan/asset types. See *MIPRU* 4.2C.

Column C
A *firm* should report here any other credit valuation adjustments for each of the five loan/asset types.

Column D
For each of the five loan/asset types, a *firm* should report the total *risk weighted exposure amount*. A firm should have regard to *MIPRU* 4.2A.7R to *MIPRU* 4.2A.18G when calculating *risk weighted exposure amounts*.

Column E
This contains the credit risk capital requirement for each of the five loan/asset types, which is 8 per cent of the relevant *risk weighted exposure amount* in Column D.

Columns F and G
These are memorandum item columns. For each of the five loan/exposure types, a *firm* should report the total value of individual (specific) and collective (general) impairment balances/provisions that were made BEFORE arriving at the balance sheet exposure value of loans/exposures reported in Column A.

5A Total exposure value of securitisations
This is the total exposure value of assets that have been securitised and originated by the *firm*. This should equal the sum of the value of assets reported in columns B, C and D of the table in element 15.

6A Total Exposure Value
This is the total balance sheet value of assets that have been included in the credit risk capital requirement calculation, being the sum of data elements 1A to 5A. This should also be the value of assets reported in *data element* C4.2a in *MLAR* Section C.

7E Total credit risk capital requirement
This is the total credit risk capital requirement, being the sum of *data elements* 1E to 5E. This should also be the credit risk capital requirement reported in *data element* C4.6(c) in MLAR Section C.

Part 2 – Rows 8 to 14

This part of the *data item* contains memorandum items on specific elements that have already been recorded in Rows 1 to 7. The aim of this part of the *data item* is to obtain targeted prudential information on certain loan types. As a result, a *firm* should not omit data from Part 2, because a *firm* has already included that data in Part 1. Equally, a *firm* should not omit data from Part 1, because the data will be included in Part 2. For example, if a *firm* has a past due loan on a mortgage on a residential property, that data should be included in the credit risk capital requirement calculation in row 1 **and** in row 8. Another example is a second charge mortgage on a residential property, where the data will be included in the row 1 **and** in row 13.

Column A

A *firm* should report the exposure value of assets for each specific loan type. This should be the balance sheet value (i.e. net of any provisions). See *MIPRU* 4.2A.6R.

Column D

For each specific loan type, a *firm* should report the total *risk weighted exposure amount*. A firm should have regard to *MIPRU* 4.2A.7R to *MIPRU* 4.2A.18G when calculating *risk weighted exposure amounts*.

Column E

This contains the credit risk capital requirement for each specific loan type, which is 8% of the relevant *risk weighted exposure amount* in Column D.

Columns F and G

For each specific loan type, a *firm* should report the total value of individual (specific) and collective (general) impairment balances/provisions that were made BEFORE arriving at the balance sheet exposure value reported in Column A.

Row 8 – Past due item on loans with mortgages on residential property

A *firm* should report in this row all past due loans with mortgages on residential property. See *MIPRU* 4.2A.17R.

Row 9 – Past due item on loans with mortgages on commercial property

A *firm* should report in this row all past due loans with mortgages on commercial property. See *MIPRU* 4.2A.17R.

Row 10 – Past due items on other loans

A *firm* should report in this row all past due loans on other loans. See *MIPRU* 4.2A.17R.

Row 11 – Buy-to-let mortgages on residential property

A *firm* should report in this row all buy-to-let mortgages on residential property.

Row 12 – Buy-to-let mortgages on commercial property

A *firm* should report in this row all buy-to-let mortgages on commercial property.

Row 13 – Second charge mortgages on residential property

A *firm* should report in this row all second charge and subsequent mortgages on residential property.

Row 14 – Second charge mortgages on commercial property
A *firm* should report in this row all second charge and subsequent mortgages on commercial property.

Part 3 – Rows 15 and 16
This part of MLAR Section L provides transaction-level information on the securitisations that a *firm* has originated. A *firm* will report each securitisation programme in a different row and complete columns A to L for each securitisation programme.

Column A
A *firm* should report the name of the securitisation programme.

Columns B, C and D
A *firm* should record the value of the securitisation that has been retained by the *firm* under each of the headings: Senior, Mezzanine and Equity.

For the purposes of completing columns B, C and D of Part 3 of MLAR section L, Senior is the value of securitisation *tranches* that have *credit quality step* 1 (see the appropriate standardised approach table at http://www.fca.org.uk/your-fca/documents/fsa-ecais-securitisation), Equity is the value of securitisation *tranches* that have *credit quality step* 4, 5 or 'all other credit assessments' and Mezzanine is the value of securitisation *tranches* that are not Senior or Equity tranches. Purely for the purposes of completing columns B, C and D of Part 3, all unrated securitisation tranches should be classified as equity tranches.

Columns E, F and G
A *firm* should record the value of the securitisation that has been purchased by investors (and therefore no longer being held by the *firm*) under each of the headings: Senior, Mezzanine and Equity.

For the purposes of completing columns E, F and G of Part 3 of MLAR section L, Senior is the value of securitisation *tranches* that have *credit quality step* 1 (see the appropriate standardised approach table at http://www.fca.org.uk/your-fca/documents/fsa-ecais-securitisation), Equity is the value of securitisation *tranches* that have *credit quality step* 4, 5 or 'all other credit assessments' and Mezzanine is the value of securitisation *tranches* that are not Senior or Equity tranches. Purely for the purposes of completing columns E, F and G all unrated securitisation tranches should be classified as equity tranches.

Column H
This is the total credit risk capital requirement for the assets that are included in the securitisation programme but before the effect of the securitisation. The value reported in this column should be based on all assets included in the securitisation programme even though a firm will subsequently retain only a portion of the securitisation.

Column J
This is the total credit risk capital requirement for the securitisation programme that has been retained by a *firm* based on the credit risk weights in *MIPRU* 4.2B.

Column K
This is the total significant risk transfer add-on that should be added to the capital requirement for the securitisation programme.

Column L
This is the total credit risk capital requirement for the securitisation programme. This should be the sum of columns J and K for each securitisation programme.

16L Total capital requirement after securitisation
This is the total capital requirement for securitisation positions originated by a *firm*. This should equal the value reported in 5E.

SECTION M: LIQUIDITY

INTRODUCTION

The purpose of this *data item* is for a *firm* to confirm that it complies with the liquidity resources requirements in *MIPRU* 4.2D.

This *data item* is only relevant to a *firm* that does not have a restriction on its *Part 4A permission* that prevents it from undertaking new *home financing* or *home finance administration* (with mortgage assets on balance sheet) connected to *regulated mortgage contracts*.

In relation to the questions in *MLAR* Section M Liquidity Questionnaire (with the exception of question 2), a *firm* should, as appropriate, answer “yes”, “no”, or “not applicable” For those questions where the answer is “no” or “not applicable” a *firm* must explain why in column B.

Part 1 – Adequacy of liquidity resources

Question 1 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.2R and *MIPRU* 4.2D.3G. If a *firm* answers “no” or “not applicable”, it should explain why in column B and the *firm* does not need to complete the rest of *MLAR* Section M.

Question 2 – In deciding on the amount of liquidity resources that a *firm* holds or is able to generate a *firm* should have regard to *MIPRU* 4.2D.3G. The figure should be entered in 000’s.

Part 2 – Systems and controls

Question 3 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.4R and *MIPRU* 4.2.D.5R.

Please note that Part 5 of *MLAR* Section M covers senior management oversight separately.

Part 3 – Stress testing

Question 4 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.8R, *MIPRU* 4.2D.10R and *MIPRU* 4.2D.11G.

Question 5 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.8R, *MIPRU* 4.2D.9R(1) and (2), *MIPRU* 4.2D.10R and *MIPRU* 4.2D.11G.

Question 6 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.9R(1) and (2).

Question 7 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.9R(3).

Part 4 – Contingency funding plans

Question 8 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.13R.

Question 9 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.13R(2)(a).

Part 5 – Senior management oversight

Question 10 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.6R.

Question 11 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.7R.

Question 12 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.10R, *MIPRU* 4.2D.13R and *MIPRU* 4.2D.14R.

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Appendix 3a – Notes on completing the Quarterly Return (CQ) for credit unions

Contents

General information

The Quarterly Return (CQ) is to be completed by all *credit unions* in the *United Kingdom* as at end March, end June, end September and end December. This form should be completed using the accruals-based accounting method.

Please read *CREDS* in conjunction with these reporting instructions.

Send the fully completed Quarterly Return (CQ) to **The PRA** in accordance with *SUP* 16.3.6R – *SUP* 16.3.13R **within one calendar month** after the quarter to which it relates. Failure to do so is a breach of your regulatory requirements, as laid down in *CREDS*, and may result in your *credit union* being subject to *PRA* sanctions.

Page numbers that appear in the text of these Notes refer to the pages of the Quarterly Return (CQ), not to the pages of these Notes (CQN).

Words in italics denote defined terms which can be found in the Glossary to the main Rulebook.

"*CREDS*" means the Credit Unions New sourcebook.

"SUP" means The Supervision Manual (part of the main PRA Handbook).

"CUA 1979" means the Credit Unions Act 1979.

"CUO" means the Credit Unions Order (Northern Ireland) 1985.

If there is no figure to be entered in the box please insert "nil" or "N/A" as appropriate.

Care should be taken to avoid errors. The *approved person* who signs the Front Page of the Quarterly Return (CQ) should initial any alterations to entries. Correction fluid should **not** be used in correcting entries.

All information should be legible, in particular the name of the persons signing the Quarterly Return (CQ).

If you have any questions, please contact The Customer Contact Centre

UK: 0800 111 6768

Front page

Name	Insert the registered name of the *credit union*.
Firm reference number	Insert the number assigned to the *credit union* by the FCA.
Reporting date	Insert the date of the end of the quarter to which this return applies

Membership and complaints contact page 2 of CQ

Membership

Indicate in the appropriate boxes the number of members that the *credit union* currently has in each category of membership.

"Member" refers to a member (qualifying or non-qualifying) (and over the age at which he may lawfully become a member of the *credit union*, for *Great Britain credit unions* under the *credit union's* rules or, for *Northern Ireland credit unions*, under the CUO or the *credit union's* rules), who can save up to £15,000 or 1.5 per cent of the total non-deferred shares in the *credit union*, whichever is the greater. [A qualifying member is a person who fulfils the membership requirements: a non-qualifying member is a person who no longer fulfils the membership requirements, having once done so.]

"Juvenile depositor" refers to a depositor who is a person too young to be a member of the *credit union* (for a *Great Britain credit union* under the *credit union's* rules and for a *Northern Ireland credit union* under the CUO or the *credit union's* rules), who can save up to a maximum of £10,000, or 1.5% of the total non-deferred shares in the *credit* union but cannot take out a loan from the *credit union*.

Complainants contact point

Tick "Yes or No" as appropriate.

CREDS 9.2.11R states that a *credit union* must inform the *PRA* of any changes to the single contact point within the *credit union* for complainants. If there have been any changes to your complainants contact point since your last submission to the *PRA* you will need to provide the new details in the boxes provided.

Signature page 2 of CQ

Signature

The Quarterly Return (CQ) states that the signatory must be an *approved person*. The signatory should not be an officer on the Supervisory Committee or an officer approved for the *non-executive director function*. This means that the person signing the Quarterly Return (CQ) will hold an approved function on the committee of management or that of the *chief executive function*. The criteria for *approved persons* are set out in *CREDS* 2 (Senior management arrangements, Systems and Controls) and *CREDS* 8.3 (Approved persons).

The *approved person* will also be verifying that the Supervisory (Internal Audit) Committee has carried out a bank reconciliation, as part of their internal audit during the quarter, which is independent of the bank reconciliation carried out by the treasury team each month. The purpose of carrying out an independent bank reconciliation is to safeguard the assets of your *credit union* and to ensure that the committee of management is carrying out its duties in accordance with your *credit union*'s rules, relevant legislation and regulatory requirements. This will include verification of the "Cash and *bank* balances" that appear on Page 3 of the Quarterly Return (CQ) under **7A**.

Any corrections to entries should be initialled by the signatory.

Send in the Quarterly Return (CQ) with an original signature, not a photocopy.

Share capital — page 3 of CQ

1A	**Total shares**	The total amount of money held by your *credit union*, at the quarter end, relating to shares paid in by members, including money held for *deferred shares* by *Great Britain credit unions*. This figure should take account of all changes made during the quarter.

Loans to members — page 3 of CQ

1B	Total loans to members	The total amount outstanding at the quarter-end on all loans to members (irrespective of when such loans were made). It will include any loans written off during the period.
1C	Bad debts written off	The total amount of loans written off during the quarter should be entered into this box. These are delinquent loans that your *credit union* believes are likely to be irrecoverable and may therefore be written out of the accounts. Writing off loans does not prevent your *credit union* continuing to seek repayment.
1D	Interest receivable	The total amount of Interest receivable on loans and other investments during the quarter should be entered into this box.
1E	Total net liabilities	The total net liabilities on all loans. To determine the total net liabilities please refer to "Arrears Analysis" at **6** below.
	Provision for doubtful debts	**Please note**: *CREDS* 7.5.5G states that in order to comply with *CREDS* "a *credit union* should review its provisioning requirements frequently. The *appropriate regulator* recommends that this is done at least quarterly". Below we set out the minimum requirements your *credit union* will need to meet. However, your *credit union* may need to make additional provisions to reflect the risks and/or potential risks bad debts will have on the *credit union*.
1F	Specific	Provision for doubtful debt – specific, refers to the provisions that your *credit union* has **actually** made to cover loans in arrears as laid down in *CREDS*. *CREDS* 7.5.2R states that a *credit union* must make specific provision in its accounts for bad and doubtful debts of at least the amounts set out below: 35% of the net liability to the credit union of borrowers where the amount is more than three months in arrears; and 100% of the net liability to the credit union of borrowers where the amount is more than 12 months in arrears. The net liability on a loan is calculated as follows: **(Balance of loan + outstanding interest) – attached shares** W here a m em ber"s s har es ex c eed th e net l iab il iti es on the l oan , ther e is

		no liability and it can be excluded from provisioning.
1G	General	Provision for doubtful debt – general, refers to the provisions that your *credit union* has **actually** made to cover potential doubtful debts, in the future. As laid down in *CREDS*, these are loans which: are currently not in arrears; or are up to and including 3 months in arrears. Your *credit union* should make a 2% provision for the net liabilities of all these loans – all loans which are not covered by the specific provisions above at **(1F)**. The net liability on a loan is calculated as follows: **(Total loan + outstanding interest) – attached shareholding** Where a member"s shares exceed the net liabilities on the loan, there is no liability and it can be excluded from provisioning. Your *credit union* will still wish to enforce a strict policy of chasing loans arrears that are fully covered by shares (and therefore not subject to our provisioning requirements). Whilst many *credit union*s automatically make share to loan transfers to offset any missed payments (when a member falls behind with their loan repayments), you need to be aware of the impact, if any, such a policy may have on your *credit union*.

Credit union liabilities page 3 of CQ

		Chapter 3 (Investment and borrowing) of *CREDS* sets out the criteria for *credit union*s. *CREDS* 3.3.3R states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*". *CREDS* 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.
2A	Borrowings from other credit unions	The total closing balances of all loans received by your *credit union* from other *credit union*s at the end of the quarter. However, subordinated debt does not fall into this group.
2B	Authorised overdrafts	The total closing balances of all authorised overdrafts used by your *credit union* from *bank*s at the end of the quarter. The figure to be reported here is the figure drawn down and not the agreed limit on the overdraft facility.
2C	Committed facilities granted	A committed facility is a committed line of credit, other than an overdraft, from a *bank*. These are funds immediately available from a *bank* and constitute a loan. The total closing balances of all committed facilities used by your *credit union* from *bank*s at the end of the quarter. The figure to be reported here is the figure drawn down and not the agreed limit on the committed facility.

2D	Other borrowings	The total closing balances of all other borrowings (not covered by **2A**, **2B** or **2C** above) received by your *credit union* at the end of the quarter. This will include all subordinated debts which do not count towards Capital Requirements - please refer to details at **5D** for guidance. Whilst the majority of *credit union*s will not have subordinated debts, those that do should take into account the following when working out how much of any subordinated debts count towards other borrowings:

Years to maturity	**Amount of subordinated debt counting towards other borrowings**
More than 4	Nil
Less than and including 4 but more than 3	20%
Less than and including 3 but more than 2	40%
Less than and including 2 but more than 1	60%
Less than and including 1	80%

Subordinated debts are loans to the *credit union* where the lender has agreed to rank behind everyone else, if the *credit union* fails, in terms of recovering their money. The loan should have an original term of over five years.

2E	Total borrowings	This figure is calculated using the following formula: **2A + 2B +2C +2D = 2E**
2F	Borrowings as % of total shares	To determine this ratio your *credit union* will use the following formula:

$$\frac{\text{Total borrowings } (\mathbf{2E})}{\text{Total shares } (\mathbf{1A})} \times \frac{100}{1}$$

Income and expenditure should be calculated using the accruals based accounting method.

3A	Total income	The total income generated by your *credit union* during the financial year to date (YTD). Total income may include: entrance fees; interest receivable on loans; interest on investments; and grants released during the financial year to date (YTD). However, this is not an exhaustive list.
3B	Total expenditure	The total expenditure by your *credit union* during the financial year to date (YTD). We advise *credit union*s to make provision here for known expenses such as audit fees and other known fees payable by the *credit union* for the financial year. The purpose of this is to offset any fluctuation in your *credit union*'s solvency/capital position, especially in the first quarter of the *credit union* financial year when many expenses fall due. Provisions for anticipated tax and dividends are required by *CREDS* 5.2.1R. Tax is usually payable on any interest received on *bank* accounts or investments (unless it clearly stipulates that the investment is exempt from taxation). Provisioning will be made pro rata on a monthly or quarterly basis. If you have any questions regarding the tax your *credit union* will need to pay you should consult your local Inland Revenue office.
4A	Total assets	The total assets of your *credit union* that appear on the Balance Sheet of the relevant monthly financial statement. It may include the following: Investments Investments of juvenile *deposits* Total loans to members Cash and *bank* balances This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet. **Please note: Unused overdrafts should not be included when calculating the total assets of your *credit union*.** If a *credit union* has revalued its property fixed assets upwards, the revalued amount of total assets should not be included here. Instead, include here the value of total assets excluding any upward property revaluation. The revalued amount of total assets, including any upward property revaluation, should be calculated in section 16 of the supplementary analysis of the quarterly return (CQ) for *credit unions*.

4B	Total liabilities (including reserves)	The total liabilities of your *credit union*, that appear on the Balance Sheet of the relevant Monthly Financial Statement of your *credit union*. It may include the following: Total shares of members, including *deferred shares* Reserves, but not including revaluation reserves or deferred share reserves Juvenile savings Total borrowings at **2E** above This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet. Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, in the main body of the CQ, *Great Britain credit unions* should report the amount held for *deferred shares* here (as part of total shareholding and, therefore, as part of total liabilities), and should not report deferred share reserves as part of Audited reserves – other at **5B**. In the supplementary analysis of the CQ, *Great Britain credit unions* should report deferred share reserves at **17D** and **19B**. Where a *credit union* has revaluation reserves, due to the upwards revaluation of property fixed assets, the amount should not be included here but reported separately in the supplementary analysis of the CQ at **17C** and **19E**.

CREDS states that the following is to be included in calculating Capital:

audited reserves;

interim net profits;

subordinated debts; and

initial capital.

Please refer to *CREDS* 5.2.1R.

Please note: "Negative reserves and any interim net losses must be deducted from capital" (*CREDS* 5.2.5R). "When a *credit union* makes a subordinated loan to another *credit union* qualifying as capital under *CREDS* 5.2.1R(4)(a), the full amount of the loan (not the amount counting towards the borrower"s capital under *CREDS* 5.2.7R) must be deduc t ed f r om the lend er"s c apita l" (*CREDS* 5.2.8R(1).

5A	Audited reserves - general	Amount held by your *credit union* in general reserve, as laid down at *CREDS* 5.3.2R. A *credit union* is required to transfer at least 20% of its net profits to general reserve each year, until such time as general reserve reaches 10% of total assets. This transfer would usually take place at the financial year end. It is likely that your auditor at the financial year end will advise you on how much you should transfer.
5B	Audited reserves - other	Money that your *credit union* has set aside out of net profits (in accordance with *CREDS* 5.3.2R) - for example, a "revenue reserve" for unforeseen circumstances. This will include initial capital which has not yet been spent. **Please note:** Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, if money is held in deferred shares by a *Great Britain credit union*, it should not be included here within other reserves in the main body of the CQ, but reported separately as part of the calculation of adjusted reserves and adjusted capital in the supplementary analysis of the CQ at **17D** and **19B**. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here but reported separately in the supplementary analysis of the CQ at **17C** and **19E**. Please refer to Chapter 5 of *CREDS*. The figure for Audited reserves – other will be negative if your *credit union* has an accumulated deficit from previous years. "Audited reserves – other" should not be confused with a bad debt "reserve" or provision for bad debts. Please insert "nil" if no other audited reserves are held by your *credit union* other than a general reserve.
5C	Interim net profits/(loss)	This figure relates to the unaudited profit or loss of your *credit union*, which will appear on the Balance Sheet of your *credit union* accounts. The figure relates to the financial year to date (YTD) figures. To work out the profit or loss of your *credit union* you will use the following formula: **3A – 3B = 5C** Please ensure that the Interim net profits / (loss) of your *credit union* has taken account of anticipated expenditure covered under "Total expenditure" at **3B** above. The reason your *credit union* should take account of proposed dividends and other anticipated expenditure are twofold.

Firstly, as mentioned at **3B** above, it is to offset any fluctuation in your *credit union*'s solvency/capital position, especially in the first quarter of the year when many expenses fall due. Historically, many *credit union*s trade at a loss in the first quarter of every financial year – what will your *credit union* do to overcome this?

Secondly, whilst *credit union*s may make healthy profits throughout the year, at the financial year end many *credit union*s transfer the statutory minimum of 20% of profits into reserves. The remainder is often redistributed to members in the form of a dividend. Therefore, not to take account of anticipated dividends would mean that the solvency (which takes account of profits) of your *credit union* would be artificially exaggerated throughout the year.

5D	Subordinated debt	Subordinated debts in **5D** are loans where the lender has agreed to the terms set out on *CREDS* 5.2.1R. They are loans to the *credit union* where the lender has agreed to rank behind everyone else, if the *credit union* fails, in terms of recovering their money. The loans should have an original term of over five years.

Whereas your *credit union* is permitted to raise subordinated debt from a variety of sources, it cannot automatically include subordinated debts when calculating the capital ratio. To be included in the calculation of capital, subordinated debt has to meet the rules laid down in *CREDS* 5.2.1R. You will need to refer to this when calculating subordinated debt. Some of the main conditions are listed below:

- When the loan is issued it should have a maturity date of more than five years.
- The conditions attached to the loan should state that the claims of the subordinated creditors rank behind those of all unsubordinated creditors including the *credit union*'s shareholders.
- The subordinated debt should not become due and payable before its final maturity date agreed with the creditor (in writing) except in the event of default by non-payment of any interest or principal under the debt agreement or the winding-up of the *credit union*.

Provided the subordinated debt meets the rules laid down in Chapter 5 (Capital) of *CREDS*, the following formula will need to be used in writing down your *credit union*'s subordinated debt:

Years to maturity	**Amount of loan counting towards capital**
More than 4	100%
Less than and including 4 but more than 3	80%
Less than and including 3 but more than 2	60%
Less than and including 2 but more than 1	40%
Less than and including 1	20%

5E	Total capital	Total capital is calculated using the following formula:

5A + 5B + 5C + 5D = 5E

Information for version 1 credit unions	

Information for version 1 credit unions

*Credit union*s should be solvent (maintain a positive net worth) at all times. If your *credit union* does not meet this requirement or may not meet it at a date in the future, you should inform your lineside supervisor (person at *PRA* dealing with your *credit union*) immediately, so that we can work with you on ways to resolve the situation.

Whilst the Quarterly Return (CQ) asks your *credit union* for total capital (which includes reserves, interim net profit/ (loss), subordinated debts and initial capital) you will need to be aware that all *version 1 credit unions* "must at all times maintain a capital-to-total assets ratio of at least 3%", (*CREDS* 5.3.1R). This means that "bad and doubtful debts must be taken into account in establishing the capital-to-assets ratio.", (*CREDS* 5.3.12G).

Although we do not ask for this, specifically, on the Quarterly Return (CQ), we are able to work it out from the information already given. Your *credit union* will need to be aware of how we work out the total net worth of your *credit union*. In calculating the total net worth of your *credit union* you will need to take the following into consideration:

Total Capital

£

Actual provision for doubtful debt - specific

£

Minimum provision for doubtful debt - specific

£

Actual provision for doubtful debt - general

£

Minimum provision for doubtful debt - general

£

Total capital

This is the same figure that appears at **5E** on the CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

Actual provision for doubtful debt - specific

These are the provisions that your credit union has **actually** made to cover loans in arrears as laid down in *CREDS*. It is the same figure that appears at **1F** on the Quarterly Return (CQ).

Minimum provision for doubtful debt - specific

Minimum specific provisions are based on all actual net liabilities on loans which are over 3 months in arrears. (Please refer to Arrears analysis below for further details)

The formula for working out **minimum specific provisions** is as follows:

Arrears Analysis

Number

Net Liabilities

A

3 months to 12 months

£

B

Over 12 months

£

C

Total arrears

A+B

£

The above arrears are based on net liabilities

Information for version 1 credit unions

(continued)

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

100% of **B** (arrears over 12 months)

D

Minimum specific provision

An example on how to work out minimum specific provisions is given below:

Arrears Analysis

	Number	**Net Liabilities**
A 3 months to 12 months	7	£7,000
B Over 12 months	10	£10,000
C **Total arrears** **A+B**	17	

£17,000

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month) 2,450

100% of **B** (arrears over 12 months) 10,000

D

Minimum specific provision **£12,450**

Actual provision for doubtful debt - general

These are the provision for doubtful debt that your *credit union* has **actually** made to cover potential doubtful debts, in the future, as laid down in *CREDS*. It is the same figure that appears at **1G** on the Quarterly Return (CQ).

Minimum provision for doubtful debt - general

Minimum general provisions are based on all actual net liabilities on loans which are currently not in arrears or are up to and including 3 months in arrears. (Please refer to Arrears analysis below for further details).

The formula for working out **minimum general provisions** is as follows:

Minimum general provision

£

Total net liabilities (**1E** on CQ)

Total arrears over 3 months (**C** above)

(   )

E

Total net liabilities subject to general provision

E

Minimum general provision
(2% of **E**)

Information for version 1 credit unions

(continued)

An example on how to work out minimum general provisions is given below:

Minimum general provision

£

Total net liabilities (**1E** on CQ)

107,250

Total arrears over 3 months (**C**)

(17,000)

E

Total net liabilities subject to general provision

90,250

E

Minimum general provision

£1,805

(2% of **E**)

How is total net worth calculated?

From the above we have established how to work out how much money your *credit union* should be setting aside to adequately cover doubtful debts. *CREDS* 5.3.12G states that "bad and doubtful debts must be taken into account" when determining the *credit union*'s total net worth.

For this reason, if your *credit union* has not made adequate provisions the shortfall will be deducted from total capital in determining the total net worth of the *credit union*. *Version 1 credit unions* cannot, however, include surplus provisions in this calculation. To calculate the total net worth of your *credit union* you can use the following table:

Minimum Provision

Actual Provision

Affecting net worth

Specific

A

B

If A < B then "nil"

If A > B then (B – A)

General

C

D

If C < D then "nil"

If C > D then (D – C)

Using the figures from the example above:

Actual provision for doubtful debt – specific =	£14,000
Actual provision for doubtful debt – general =	£1,000

Minimum Provision

Actual Provision

Affecting net worth

Specific

12,450

14,000

NIL

General

1,850

1,000

£850

Information for version 1 credit unions (continued)	

Information for version 1 credit unions

(continued)

The **total net worth** of your *credit union* is:

Total capital

Less: specific provision – affecting net worth

Less: general provision – affecting net worth

For the purpose of this example, total capital is £2,000.

Total capital

£2,000

Less: specific provision – affecting net worth

(£0)

Less: general provision – affecting net worth

(£850)

Total net worth

£1,150

On this example, your *credit union* would satisfy the requirements of *CREDS*, since the *credit union* has a "positive net worth".

Capital ratio (for information purposes only)

To determine the capital ratio your *credit union* will use the following formula:

Total capital (**5E** or **20C)**

X

100

Total assets (**4A** or **16C**)

1

6A-C		This relates to net liabilities on loans mentioned at "loans to members" – **1B** – **1G**. There are 2 time periods under which to analyse the number and amount of loans in arrears and have net liabilities attached.
	"3 months to 12 months"	All loans which are over 3 months and up to and including 12 months in arrears, and have net liabilities attached.
	"over 12 months"	All loans over 12 months in arrears, which have net liabilities attached.
		Please note: Where payments actually received from a member are irregular in timing and/or amount, your *credit union* needs to have a policy on how to deal with such arrears. Ultimately, how sure can your *credit union* be that such a loan will not be defaulted upon in the future? The main concern for us is that your *credit union* can be confident that adequate provisions have been made to offset any potential burdens an irrecoverable debt would place on the *credit union* in the future. For this reason, it may be prudent for your *credit union* to make provisions for such risks. For example: If 15 weekly repayments have been missed (or an amount equivalent to 15 weekly repayments is overdue), then the loan is to be included under the "3 months to 12 months" time period, irrespective of when the most recent repayment was received.
	Number	The actual number of outstanding loans, within the time periods mentioned above, with net liabilities at the end of the quarter.
	Net liabilities	The total amount outstanding on all loans (inclusive of interest owing) in arrears for each time period (i.e. if a loan is in arrears, the figure used should be the total net liabilities owed by the member, including interest - not just the sum of the repayments that have been missed). The formula used is as follows: **Loan balance + interest owing – attached share balance = Net liability** The table below is an example on how to work out net liability:

Loans 3-12 months in arrears

Loan No. Loan

balance

Interest owing

Attached share balance

Net
liability

1

£390

£10

£200

£200

2

£580

£20

£500

£100

3

£4,050

£150

£2,200

£2,000

4

£720

£30

£1,000

£0

5

£115

£10

£50

£75

Total

£5,855

£220

£3,950

£2,375

From this table we see that there are 4 loans with positive net liabilities. Total net liabilities for this period is **£2,375.**

The **Total** of the number and amount of net liabilities of loans in arrears should also be given. From the example above totals will be as follows:

Number

Net Liability

3-12 months

4

£2,375

Over 12 months

0

£0

Total

4

£2,375

Liquidity ratio — page 4 of CQ

7A	Cash and bank balance	The total amount in your *credit union*"s *bank* current account plus any cash in the custody of officers (e.g. cash for the collection point float or petty cash). The following are not to be included in this calculation: Authorised overdrafts; Committed facilities; Other investments of surplus funds which will fall into the investments section of liquid assets. **Please note** that this relates to money relating to members and juvenile depositors. *Credit union*s no longer have to keep the *deposits* of juveniles separate from the shares of members. Grants that constitute part of the *bank* balance should be excluded from liquid assets, unless there are adequate funds in long-term investment to cover the amount of the grant used for this purpose.
7B	Investments (less than 8 days to maturity)	*CREDS* 6.3.8R states that only investments that could be realised within eight days can be included in calculating your *credit union*'s liquidity ratio. It is therefore important that your committee of management takes a long-term view of the *credit union* business before investing surplus funds. Your *credit union* will need to be aware of redemption penalties or other losses you may incur for the early realisation of such funds. In short, most investments can be converted into cash but at a cost. **Please note**: This will include any deposit accounts your *credit union* may use. **IMPORTANT NOTICE: *Version 1 credit unions* should not hold investments with a maturity date of over 12 months (*CREDS* 3.2.2R).** The remainder of the information at **7B** relates directly to *version 2 credit unions*. *CREDS* 6.3.6E(1) provides that for the purpose of calculating a *credit union*'s liquidity ratio, the *securities* referred to in *CREDS* 3.2.1R to 3.2.3R should be valued on the basis that they could be realised at par, minus the following discounts: (a) maturity less than 1 year - Zero (b) maturity 1 to 5 years - 5%" So in events where your *credit union* can realise investments within eight days, you will still need to reduce the applicable figure by 5% for all *securities* with a maturity date of between one and five years. Example:

Time period	Amount realisable in 8 days	Amount allowed for liquidity
Less than 1 year	£200	£200
1 to 5 years	£500	£475

Whilst these are minimum requirements your *credit union* will need to draft and implement a comprehensive Liquidity Management Policy to account for the greater risks attached to longer-term investments.

7C Unused committed facilities

A committed facility is a committed line of credit, other than an overdraft, from a *bank*. These are funds immediately available from a *bank* and constitute a loan.

This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* with which your *credit union* holds its current account. Any unused committed facilities can be entered into this box. If your *credit union* does not have any committed facilities this box should be filled by a "nil". We would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*".

CREDS 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.

Please note that any unused committed facilities may only be used fo calculating the liquidity ratio of your *credit union*, but cannot be usec when calculating the total assets of your *credit union*. We reserve the right to seek evidence of any committed facilities which are used fo liquidity purposes.

7D Unused overdrafts

This relates to a *credit union* which has an authorised overdraft arrangement with an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* with which your *credit union* holds its current account. Any surplus overdrafts which has not been used can be entered into this box. If your *credit union* does not have an authorised overdraft facility this box should be filled by a "nil". Again, we would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*".

CREDS 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.

		Please note that any unused overdrafts may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We reserve the right to seek evidence that a *credit union* overdraft facility, which is used for liquidity purposes, has indeed been authorised by the relevant *bank*.
7E	Total liquid assets	This figure is calculated by the following: **7A + 7B + 7C +7D = 7E**
7F	Unattached shares/juvenile deposits	Total value of unattached shares and the total value of juvenile deposits held by your *credit union*. "unattached shares" means the total shares in the credit union other than attached shares and deferred shares. "attached shares" are shares that act as security for a loan, or for *Great Britain credit* unions shares that cannot be withdrawn under the terms of the loan, or, for *Great Britain credit unions* that made loans to members prior to the coming into force of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and *Northern Ireland credit unions*, shares that cannot be withdrawn without the permission of the committee of management.
	Liabilities (with an original or remaining maturity of less than three months)	These are all liabilities excluding unattached shares / juvenile *deposits* (which are already covered in the relevant liabilities being calculated). Only liabilities that fall due within the three-month period are to be included in the calculations. **7G** and **7H** below fall into this group. **Please note**: Only those liabilities (repayments of capital and interest) which fall due over the next three months are to be included.
7G	Authorised overdrafts	All drawn down overdrafts which need to be repaid over the next three months are to be included here Example: Your *credit union* has an overdraft facility of **£2,000**. It has drawn down £600 which it expects to pay back over the next six months on a pro-rata basis. Over the next three months your *credit union* will expect to pay back **£300 capital and any interest charges**. This is the figure to be included.
7H	Other liabilities/borrowings	These are all liabilities excluding unattached shares / juvenile *deposits* and authorised overdrafts (which are already covered in **7F** and **7G**. Included in this category are such things as: loans from other *credit union*s; loans from *bank*s; subordinated debts; committed facilities Example: Your *credit union* receives a **£1,200** loan from your local *bank*. The terms of the loan agreement state that the loan must be repaid in 12 equal monthly instalments over a year. Your *credit union* has to pay back **£100** capital and outstanding interest at the end of every month. In this instance your *credit union* should include three monthly repayments (to include capital and interest), when calculating liabilities with maturity of less than three months.

7J	Total relevant liabilities	This figure is calculated by using the following formula: **7F + 7G + 7H = 7J**
7K	Liquidity ratio	To determine the liquidity ratio, your *credit union* will use the following formula:

$$\frac{\text{Total liquid assets } (\mathbf{7E})}{\text{Total relevant liabilities } (\mathbf{7J})} \times \frac{100}{1}$$

Whilst these figures relate to the quarter end, your *credit union* will need to look at large *exposures* requirements when issuing loans. For example, a large *exposure* is defined as any individual net liability which is at least £7,500 and at least 10% of the value of the *credit union*'s capital.

8A Largest net exposure

A *credit union* should report here its largest large net *exposure.* To work out your *credit union*'s largest large net *exposure* you will need to determine:

a) the net *exposure* on each loan and find the largest figure. The formula for this is:

(loan balance + interest owing) – attached share balance

b) what is the total capital of your *credit union*? This is defined at **5E** of CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

Say, for example your *credit union*'s total capital is £40,000. We know from the above that only net liabilities over 10% of Capital are subject to the large *exposures* rule. Ten percent of £40,000 is £4,000.

However, we further know from the above that only net liabilities over £7,500 are subject to the large *exposures* rule. Below we see all net *exposures* over 10% of total capital and those that do and do not qualify:

Example:

Member number

Attached share balance Loan

balance + interest owing Net

liabilities

Is it a large *exposure*?

150

£3,125

£12,500

£9,375

YES

152

£1,750

£10,000

£8,250

YES

103

£3,115

£12,002

£8,887

YES

462

£2,500

£6,700

£4,200

109

£4,000

£8,500

£4,500

No

As we can see the largest net *exposure* is that of member 150 and it is £9,375.

8B	As % of capital	An individual large exposure should not exceed **25%** of your credit union's capital (*CREDS* 7.4.2R). To determine this percentage, your *credit union* will need to use the following calculation:

$$\frac{\text{Largest large net exposure } (\mathbf{8A})}{\text{Total capital } (\mathbf{5E} \text{ or } \mathbf{20C})} \times \frac{100}{1}$$

So:

$$\frac{\pounds 9{,}375}{\pounds 40{,}000} \times \frac{100}{1} = 23.44\%$$

8C Aggregate total of large net exposures

This figure relates to the sum total of all net liabilities subject to the large *exposures* rule as defined in **8A** above.

Taking the example at **8A** above, this figure will be **£35,285** (see below).

Member number	**Attached share balance**	**Loan balance + interest owing**	**Net liabilities**
150	£3,125	£12,500	£9,375
152	£1,750	£10,000	£8,250
103	£3,115	£12,002	£8,887
204	£2,138	£10,911	£8,773
Totals	**£10,128**	**£45,413**	**£35,285**

8D	As % of capital	*CREDS* states that the aggregate total of large net *exposures* should not exceed 500% of the total capital of the *credit union*, and should not exceed 300% of total capital without prior notifying the *PRA*. To see if the example satisfies the rules please use the following calculation:

Aggregate total of large net exposures (**8C**)

X

100

Total capital (**5E** or **20C**)

1

So:

£35,285

X

100

= 88.21%

£40,000

1

Large version 1 and version 2 credit unions — page 4 of CQ

	Risk adjusted capital ratio	A risk adjusted capital ratio is a requirement for larger *version 1 credit unions* and *version 2 credit unions* under *CREDS*. *CREDS* 5.3.15R states "*A version 1 credit union* with total assets of more than £10 million or a total number of members of more than 10,000, or both, must maintain at all times a risk-adjusted capital to total assets ratio of at least 8%"
9A	Total capital	This figure is the same as the figure that appears at **5E** of CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

9B	Net provisions or 1% of total assets – whichever is the lower	Capital should be risk-adjusted for *version 2 credit unions* and large *version 1 credit unions* (*CREDS* 5.4.1R and *CREDS* 5.3.15R). The maximum net figure for provisions that may be included in calculating risk-adjusted capital is 1% of total assets (*CREDS* 5.4.2R). Net provisions are those provisions your *credit union* has made minus minimum specific provisions. In other words:

Provision

minus

100% of net liabilities on loans which are 12 months or more in arrears

minus

35% of net liabilities on loans 3-12 months in arrears

=

Net provisions

This figure is calculated by using the following calculation:

Arrears Analysis

	Number	**Net Liabilities**
3 months to 12 months	**A**	£
Over 12 months	**B**	£
Total arrears	**C = A+B**	**£**

The above arrears are based on net liabilities.

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

100% of **B** (arrears over 12 months)

D

Total minimum specific provision

Actual specific provision for doubtful debt (as at **1F**)

Actual general provision for doubtful debt (as at **1G**)

E

Total actual provisions

Total minimum specific provision (**D**)

( )

E

Net provisions

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

G

1% of total assets

The figure that needs to be posted to the Quarterly Return (CQ) is the lesser of **E** and **G.** If this is a negative figure, the figure that appears on the Quarterly Return (CQ) needs to be a negative figure.

A worked example is given on the next page

Example

Arrears Analysis

Number

Net Liabilities

3 months to 12 months

A

5

£28,000

Over 12 months

B

10

£67,000

Total arrears

<u>C</u> = <u>A</u>+<u>B</u>

15

£95,000

The above arrears are based on net liabilities

Minimum specific provision

£

35% of **<u>A</u>** (arrears - 3 months to 12 month)

9,800

100% of **<u>B</u>** (arrears over 12 months)

67,000

<u>D</u>

Total minimum specific provision

76,800

Actual specific provision for doubtful debt (as at **1F**)

70,000

Actual general provision for doubtful debt (as at **1G**)

10,000

<u>E</u>

Total actual provisions

80,000

Total minimum specific provision (**D**)

(76,800)

E

Net provisions

3,200

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

1,120,000

G

1% of total assets

11,200

So the figure to be posted onto the Quarterly Return (CQ) at **9B** is **£3,200.**

9C	Total risk adjusted capital	This figure is calculated using the following formula: **9A + 9B = 9C**
9D	Total assets	This is the total assets of your *credit union*. It will be the same figure that appears in **4A** of the CQ or, where a *credit union* has revaluation reserves, at **16C** of the supplementary analysis of the CQ. Please note that unused overdrafts or unused committed facilities cannot be used when calculating the total assets of your *credit union*.

9E	Risk adjusted capital ratio	The risk adjusted capital ratio your *credit union* will use the following formula:

Total risk adjusted capital (**9C**)

X

100

Total assets (**9D**)

1

NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE QUARTERLY RETURN

General Information

A *credit union* should complete the relevant sections of the supplementary analysis of the quarterly return (CQ) for *credit unions* if any of the following conditions apply:

- the *Great Britain credit union* has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the *Great Britain credit union* has issued *deferred shares* in accordance with section 31A of the Act;
- the *Great Britain credit union* has admitted corporate members under section 5A of the Act; or
- the *credit union* has revaluation reserves from the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CQ should be completed as follows:

- Sections 10 – 15 should be completed by a Great Britain credit union that has issued interest-bearing shares, issued deferred shares or admitted corporate members.
  - These sections are intended to break down some of the information contained in the CQ in order to give a clearer picture of the financial position of *Great Britain credit unions* that undertake these activities.
  - The Credit Unions (Northern Ireland) Order 1985 does not provide for *Northern Ireland credit unions* to undertake the activities listed above. Therefore, *Northern Ireland credit unions* do not need to complete sections 10 – 15.
- Sections 16 – 21 should be completed by a *Great Britain credit union* that has issued *deferred shares* or has revaluation reserves. Sections 16 and 19 – 21 should be completed by a *Northern Ireland credit union* that has revaluation reserves.
  - Sections 16 – 21 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and revaluation reserves. Adjusted reserves amounts at 17E and 18A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 20C and 21A are used to determine whether a *credit union* meets the capital requirements in *CREDS*.

Interest-bearing shares

Interest-bearing shares

10A	Total shares	The total amount of money held by the *credit union* relating to shares paid in by members. The amount entered here should be transferred from **1A** on CQ for analysis. In the following sections, this amount should be broken down into interest-bearing and dividend-bearing shares so that: **10A = 10B + 10C**
10B	Interest-bearing shares	The total amount of money held by the *credit union* in respect of shares that are interest-bearing.
10C	Dividend-bearing shares	The total amount of money held by the *credit union* in respect of shares that are dividend-bearing.

Deferred shares

Deferred shares

11A	Total shares	The total amount of money held by the *credit union* relating to shares paid in by members.

		The amount entered here should be transferred from **1A** on CQ for analysis. In the following sections, this amount should be broken down into non-deferred shares and *deferred shares* so that: **11A = 11B + 11C**
11B	Non-deferred shares	The total amount of money held by the *credit union* in respect of non-deferred shares.
11C	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*.

Corporate membership

Corporate members

12A	Number of members	Total number of members of the *credit union*. The amount entered here should be transferred from **1a** on CQ for analysis. In the following sections, this amount should be broken down into different categories of member so that: **12A = 12B + 12C + 12D + 12E**
12B	Individuals	The number of members of the *credit union* that are individuals.
12C	Bodies corporate	The number of members of the *credit union* that are *bodies corporate*.
12D	Partnerships	The number of members of the *credit union* that are partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
12E	Unincorporated associations	The number of members of the *credit union* that are unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

13A	Non-deferred shares	The total amount of money held by the *credit union* in respect of shares that are not *deferred shares*. The amount entered here should be equal to the amount at **11B** above. In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that: **13A = 13B + 13C + 13D + 13E**
13B	Individual non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by individuals.
13C	Body corporate non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by *bodies corporate*.
13D	Partnership non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by partnerships. Partnerships are represented by individuals who are

		members of a *credit union* in their capacity as partners in a partnership.
13E	Unincorporated association non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

14A	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*. This should be equal to the amount at **11C**. In the following sections, this amount should be broken down into *deferred shares* held by different categories of member so that: **14A = 14B + 14C + 14D + 14E**
14B	Individual deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by individuals.
14C	Body corporate deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by *bodies corporate*.
14D	Partnership deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
14E	Unincorporated association deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by unincorporated associations. Unincorporated associations are individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

15A	Total loans to members	The total amount outstanding to the *credit union* on loans to members. The amount entered here should be transferred from **1B** on CQ for analysis. In the following sections, this amount should be broken down into loans to different categories of member so that: **15A = 15B + 15C + 15D + 15E**
15B	Individual loans	The total amount outstanding to the *credit union* on loans to individuals.
15C	Body corporate loans	The total amount outstanding to the *credit union* on loans to *bodies corporate*.
15D	Partnership loans	The total amount outstanding to the *credit union* on loans to partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.

15E	Unincorporated association loans	The total amount outstanding to the *credit union* on loans to unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued total assets

16A	Total assets	The value of total assets of the *credit union*, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from **4A** on CQ.
16B	Revaluation amount	The amount by which the property fixed assets the *credit union* owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.
16C	Re-valued total assets	The current market value of total assets of the *credit union*, including any amount for the upward revaluation of property fixed assets, so that: **16C = 16A + 16B** This amount will be used to determine which *CREDS* requirements apply to a *credit union*.

Adjusted reserves - total

17A	Audited reserves – General	The total amount held by the *Great Britain credit union* in general reserves. The amount entered here should be transferred from **5A** on CQ.
17B	Audited reserves – Other	The total amount of money held by the *Great Britain credit union* in other reserves. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **5B** on CQ.
17C	Revaluation reserves	The amount of revaluation reserves held by the *Great Britain credit union,* arising from the differences between current market values and the book values of the property fixed assets.
17D	Deferred share reserves	The total amount held by the *Great Britain credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves.

17E	Adjusted reserves	The total amount of money held by the *Great Britain credit union* in reserves (including revaluation reserves and deferred share reserves), so that: **17E = 17A + 17B + 17C + 17D** This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Adjusted reserves - percentage

18A	Adjusted reserves as % of re-valued total assets	To determine this ratio the *Great Britain credit union* should use the following formula: Adjusted reserves (**17E**) X 100 / Re-valued total assets (**16C**) This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Revaluation reserves – CREDS capital element

19A	Total capital	The total amount held by the *credit union* as capital in the form of general reserves, other reserves, interim profit or loss, and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **5E** on CQ.
19B	Deferred share reserves	The total amount held by the *credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves. For *Northern Ireland credit unions*, the amount entered here will be nil.
19C	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves so that: **19C = 19A + 19B**
19D	1/3 of (Total capital and deferred share reserves)	To determine this amount the *credit union* should use the following formula:

		1 X Total capital and deferred share reserves (**19C**) / 3
19E	Revaluation reserves	The amount of revaluation reserves held by the *credit union* that meets the requirements in *CREDS* 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.
19F	Revaluation reserves – CREDS capital element	The amount of revaluation reserves meets the limits in *CREDS* 5.2.1R(6) to (8) and so can be included in capital. *CREDS* 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt, initial capital and revaluation reserves. The simplest way of reporting this amount accurately is to calculate an equivalent amount. An equivalent amount is a third of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and *deferred shares*, which is the amount at **19E**. So the amount that can be included in capital for the purpose of meeting the *CREDS* capital requirements will be equal to either **19D** or **19E** above, whichever is the lower.

Adjusted capital - total

20A	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves. This amount should be equal to **19C** above.
20B	Revaluation reserves – CREDS capital element	The amount of revaluation reserves that can be included in capital for the purpose of meeting the *CREDS* capital requirements. This amount should be equal to **19F** above.
20C	Adjusted capital	The sum of total capital, deferred share reserves and the *CREDS* capital element of revaluation reserves so that: **20C = 20A + 20B**

This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

Adjusted capital - percentage

21A	Adjusted capital as % of re-valued total assets	To determine this ratio the *credit union* should use the following formula: Adjusted capital (**20C**) X 100 / Re-valued total assets (**16C**)

This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

Appendix 3.a

Notes on completing the Quarterly Return (CQ) for credit unions

CONTENTS	Notes page	Form page

General information

The Quarterly Return (CQ) is to be completed by all *credit union*s in the *United Kingdom* as at end March, end June, end September and end December. This form should be completed using the accruals-based accounting method.

Please read *CREDS* in conjunction with these reporting instructions.

Send the fully completed Quarterly Return (CQ) to **The PRA** in accordance with *SUP* 16.3.6R – *SUP* 16.3.13R **within one calendar month** after the quarter to which it relates. Failure to do so is a breach of your regulatory requirements, as laid down in *CREDS*, and may result in your *credit union* being subject to *PRA* sanctions.

Page numbers that appear in the text of these Notes refer to the pages of the Quarterly Return (CQ), not to the pages of these Notes (CQN).

Words in italics denote defined terms which can be found in the Glossary to the main Rulebook.

"*CREDS*" means the Credit Unions New sourcebook.

"SUP" means The Supervision Manual (part of the main PRA Handbook).

"CUA 1979" means the Credit Unions Act 1979.

"CUO" means the Credit Unions Order (Northern Ireland) 1985.

If there is no figure to be entered in the box please insert "nil" or "N/A" as appropriate.

Care should be taken to avoid errors. The *approved person* who signs the Front Page of the Quarterly Return (CQ) should initial any alterations to entries. Correction fluid should **not** be used in correcting entries.

All information should be legible, in particular the name of the persons signing the Quarterly Return (CQ).

If you have any questions, please contact The Customer Contact Centre

UK: 0800 111 6768

Front page

Name	Insert the registered name of the *credit union*.
Firm reference number	Insert the number assigned to the *credit union* by the FCA.
Reporting date	Insert the date of the end of the quarter to which this return applies

Membership and complaints contact — page 2 of CQ

Membership	Indicate in the appropriate boxes the number of members that the *credit union* currently has in each category of membership. **"Member"** refers to a member (qualifying or non-qualifying) (and over the age at which he may lawfully become a member of the *credit union*, for *Great Britain credit unions* under the *credit union's* rules or, for *Northern Ireland credit unions*, under the CUO or the *credit union's* rules), who can save up to £15,000 or 1.5 per cent of the total non-deferred shares in the *credit union*, whichever is the greater. [A qualifying member is a person who fulfils the membership requirements: a non-qualifying member is a person who no longer fulfils the membership requirements, having once done so.] **"Juvenile depositor"** refers to a depositor who is a person too young to be a member of the *credit union* (for a *Great Britain credit union* under the *credit union's* rules and for a *Northern Ireland credit union* under the CUO or the *credit union's* rules), who can save up to a maximum of £10,000, or 1.5% of the total non-deferred shares in the *credit* union but cannot take out a loan from the *credit union*.
Complainants contact point	Tick "Yes or No" as appropriate. *CREDS* 9.2.11R states that a *credit union* must inform the *PRA* of any changes to the single contact point within the *credit union* for complainants. If there have been any changes to your complainants contact point since your last submission to the *PRA* you will need to provide the new details in the boxes provided.

Signature — page 2 of CQ

Signature

The Quarterly Return (CQ) states that the signatory must be an *approved person*. The signatory should not be an officer on the Supervisory Committee or an officer approved for the *non-executive director function*. This means that the person signing the Quarterly Return (CQ) will hold an approved function on the committee of management or that of the *chief executive function*. The criteria for *approved persons* are set out in *CREDS* 2 (Senior management arrangements, Systems and Controls) and *CREDS* 8.3 (Approved persons).

The *approved person* will also be verifying that the Supervisory (Internal Audit) Committee has carried out a bank reconciliation, as part of their internal audit during the quarter, which is independent of the bank reconciliation carried out by the treasury team each month. The purpose of carrying out an independent bank reconciliation is to safeguard the assets of your *credit union* and to ensure that the committee of management is carrying out its duties in accordance with your *credit union*'s rules, relevant legislation and regulatory requirements. This will include verification of the "Cash and *bank* balances" that appear on Page 3 of the Quarterly Return (CQ) under **7A**.

Any corrections to entries should be initialled by the signatory.

Send in the Quarterly Return (CQ) with an original signature, not a photocopy.

Share capital — page 3 of CQ

1A **Total shares**

The total amount of money held by your *credit union*, at the quarter end, relating to shares paid in by members, including money held for *deferred shares* by *Great Britain credit unions*.

This figure should take account of all changes made during the quarter.

Loans to members — page 3 of CQ

1B Total loans to members

The total amount outstanding at the quarter-end on all loans to members (irrespective of when such loans were made). It will include any loans written off during the period.

1C Bad debts written off

The total amount of loans written off during the quarter should be entered into this box.

These are delinquent loans that your *credit union* believes are likely to be irrecoverable and may therefore be written out of the accounts. Writing off loans does not prevent your *credit union* continuing to seek repayment.

1D Interest receivable

The total amount of Interest receivable on loans and other investments during the quarter should be entered into this box.

1E Total net liabilities

The total net liabilities on all loans. To determine the total net liabilities please refer to "Arrears Analysis" at **6** below.

Provision for doubtful debts

Please note: *CREDS* 7.5.5G states that in order to comply with *CREDS* "a *credit union* should review its provisioning requirements frequently. The *appropriate regulator* recommends that this is done at least quarterly".

Below we set out the minimum requirements your *credit union* will need to meet. However, your *credit union* may need to make additional provisions to reflect the risks and/or potential risks bad debts will have on the *credit union*.

1F Specific

Provision for doubtful debt – specific, refers to the provisions that your *credit union* has **actually** made to cover loans in arrears as laid down in *CREDS*.

CREDS 7.5.2R states that a *credit union* must make specific provision in its accounts for bad and doubtful debts of at least the amounts set out below:

35% of the net liability to the credit union of borrowers where the amount is more than three months in arrears; and

100% of the net liability to the credit union of borrowers where the amount is more than 12 months in arrears.

The net liability on a loan is calculated as follows:

(Balance of loan + outstanding interest) – attached shares

Where a member's shares exceed the net liabilities on the loan, there is

		no liability and it can be excluded from provisioning.
1G	General	Provision for doubtful debt – general, refers to the provisions that your *credit union* has **actually** made to cover potential doubtful debts, in the future. As laid down in *CREDS*, these are loans which: are currently not in arrears; or are up to and including 3 months in arrears. Your *credit union* should make a 2% provision for the net liabilities of all these loans – all loans which are not covered by the specific provisions above at **(1F)**. The net liability on a loan is calculated as follows: **(Total loan + outstanding interest) – attached shareholding** Where a member"s shares exceed the net liabilities on the loan, there is no liability and it can be excluded from provisioning. Your *credit union* will still wish to enforce a strict policy of chasing loans arrears that are fully covered by shares (and therefore not subject to our provisioning requirements). Whilst many *credit union*s automatically make share to loan transfers to offset any missed payments (when a member falls behind with their loan repayments), you need to be aware of the impact, if any, such a policy may have on your *credit union*.

Credit union liabilities — page 3 of CQ

		Chapter 3 (Investment and borrowing) of *CREDS* sets out the criteria for *credit union*s. *CREDS* 3.3.3R states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*". *CREDS* 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.
2A	Borrowings from other credit unions	The total closing balances of all loans received by your *credit union* from other *credit union*s at the end of the quarter. However, subordinated debt does not fall into this group.
2B	Authorised overdrafts	The total closing balances of all authorised overdrafts used by your *credit union* from *bank*s at the end of the quarter. The figure to be reported here is the figure drawn down and not the agreed limit on the overdraft facility.
2C	Committed facilities granted	A committed facility is a committed line of credit, other than an overdraft, from a *bank*. These are funds immediately available from a *bank* and constitute a loan. The total closing balances of all committed facilities used by your *credit union* from *bank*s at the end of the quarter. The figure to be reported here is the figure drawn down and not the agreed limit on the committed facility.

2D	Other borrowings	The total closing balances of all other borrowings (not covered by **2A**, **2B** or **2C** above) received by your *credit union* at the end of the quarter. This will include all subordinated debts which do not count towards Capital Requirements - please refer to details at **5D** for guidance. Whilst the majority of *credit union*s will not have subordinated debts, those that do should take into account the following when working out how much of any subordinated debts count towards other borrowings:

Years to maturity	**Amount of subordinated debt counting towards other borrowings**
More than 4	Nil
Less than and including 4 but more than 3	20%
Less than and including 3 but more than 2	40%
Less than and including 2 but more than 1	60%
Less than and including 1	80%

Subordinated debts are loans to the *credit union* where the lender has agreed to rank behind everyone else, if the *credit union* fails, in terms of recovering their money. The loan should have an original term of over five years.

2E	Total borrowings	This figure is calculated using the following formula: **2A + 2B +2C +2D = 2E**
2F	Borrowings as % of total shares	To determine this ratio your *credit union* will use the following formula:

$$\frac{\text{Total borrowings } (\mathbf{2E})}{\text{Total shares } (\mathbf{1A})} \times \frac{100}{1}$$

		Income and expenditure should be calculated using the accruals based accounting method.
3A	Total income	The total income generated by your *credit union* during the financial year to date (YTD). Total income may include: entrance fees; interest receivable on loans; interest on investments; and grants released during the financial year to date (YTD). However, this is not an exhaustive list.
3B	Total expenditure	The total expenditure by your *credit union* during the financial year to date (YTD). We advise *credit union*s to make provision here for known expenses such as audit fees and other known fees payable by the *credit union* for the financial year. The purpose of this is to offset any fluctuation in your *credit union*'s solvency/capital position, especially in the first quarter of the *credit union* financial year when many expenses fall due. Provisions for anticipated tax and dividends are required by *CREDS* 5.2.1R. Tax is usually payable on any interest received on *bank* accounts or investments (unless it clearly stipulates that the investment is exempt from taxation). Provisioning will be made pro rata on a monthly or quarterly basis. If you have any questions regarding the tax your *credit union* will need to pay you should consult your local Inland Revenue office.
4A	Total assets	The total assets of your *credit union* that appear on the Balance Sheet of the relevant monthly financial statement. It may include the following: Investments Investments of juvenile *deposits* Total loans to members Cash and *bank* balances This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet. **Please note: Unused overdrafts should not be included when calculating the total assets of your *credit union*.** If a *credit union* has revalued its property fixed assets upwards, the revalued amount of total assets should not be included here. Instead, include here the value of total assets excluding any upward property revaluation. The revalued amount of total assets, including any upward property revaluation, should be calculated in section 16 of the supplementary analysis of the quarterly return (CQ) for *credit unions*.

4B	Total liabilities (including reserves)	The total liabilities of your *credit union*, that appear on the Balance Sheet of the relevant Monthly Financial Statement of your *credit union*. It may include the following: Total shares of members, including *deferred shares* Reserves, but not including revaluation reserves or deferred share reserves Juvenile savings Total borrowings at **2E** above This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet. Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, in the main body of the CQ, *Great Britain credit unions* should report the amount held for *deferred shares* here (as part of total shareholding and, therefore, as part of total liabilities), and should not report deferred share reserves as part of Audited reserves – other at **5B**. In the supplementary analysis of the CQ, *Great Britain credit unions* should report deferred share reserves at **17D** and **19B**. Where a *credit union* has revaluation reserves, due to the upwards revaluation of property fixed assets, the amount should not be included here but reported separately in the supplementary analysis of the CQ at **17C** and **19E**.

CREDS states that the following is to be included in calculating Capital:

- audited reserves;
- interim net profits;
- subordinated debts; and
- initial capital.

Please refer to *CREDS* 5.2.1R.

Please note: "Negative reserves and any interim net losses must be deducted from capital" (*CREDS* 5.2.5R). "When a *credit union* makes a subordinated loan to another *credit union* qualifying as capital under *CREDS* 5.2.1R(4)(a), the full amount of the loan (not the amount counting towards the borrower"s capital under *CREDS* 5.2.7R) must be deduc t ed f r om the lend er"s c apita l" (*CREDS* 5.2.8R(1).

5A	Audited reserves - general	Amount held by your *credit union* in general reserve, as laid down at *CREDS* 5.3.2R. A *credit union* is required to transfer at least 20% of its net profits to general reserve each year, until such time as general reserve reaches 10% of total assets. This transfer would usually take place at the financial year end. It is likely that your auditor at the financial year end will advise you on how much you should transfer.
5B	Audited reserves - other	Money that your *credit union* has set aside out of net profits (in accordance with *CREDS* 5.3.2R) - for example, a "revenue reserve" for unforeseen circumstances. This will include initial capital which has not yet been spent. **Please note:** Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, if money is held in deferred shares by a *Great Britain credit union*, it should not be included here within other reserves in the main body of the CQ, but reported separately as part of the calculation of adjusted reserves and adjusted capital in the supplementary analysis of the CQ at **17D** and **19B**. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here but reported separately in the supplementary analysis of the CQ at **17C** and **19E**. Please refer to Chapter 5 of *CREDS*. The figure for Audited reserves – other will be negative if your *credit union* has an accumulated deficit from previous years. "Audited reserves – other" should not be confused with a bad debt "reserve" or provision for bad debts. Please insert "nil" if no other audited reserves are held by your *credit union* other than a general reserve.
5C	Interim net profits/(loss)	This figure relates to the unaudited profit or loss of your *credit union*, which will appear on the Balance Sheet of your *credit union* accounts. The figure relates to the financial year to date (YTD) figures. To work out the profit or loss of your *credit union* you will use the following formula: **3A – 3B = 5C** Please ensure that the Interim net profits / (loss) of your *credit union* has taken account of anticipated expenditure covered under "Total expenditure" at **3B** above. The reason your *credit union* should take account of proposed dividends and other anticipated expenditure are twofold.

Firstly, as mentioned at **3B** above, it is to offset any fluctuation in your *credit union*'s solvency/capital position, especially in the first quarter of the year when many expenses fall due. Historically, many *credit union*s trade at a loss in the first quarter of every financial year – what will your *credit union* do to overcome this?

Secondly, whilst *credit union*s may make healthy profits throughout the year, at the financial year end many *credit union*s transfer the statutory minimum of 20% of profits into reserves. The remainder is often redistributed to members in the form of a dividend. Therefore, not to take account of anticipated dividends would mean that the solvency (which takes account of profits) of your *credit union* would be artificially exaggerated throughout the year.

5D	Subordinated debt	Subordinated debts in **5D** are loans where the lender has agreed to the terms set out on *CREDS* 5.2.1R. They are loans to the *credit union* where the lender has agreed to rank behind everyone else, if the *credit union* fails, in terms of recovering their money. The loans should have an original term of over five years.

Whereas your *credit union* is permitted to raise subordinated debt from a variety of sources, it cannot automatically include subordinated debts when calculating the capital ratio. To be included in the calculation of capital, subordinated debt has to meet the rules laid down in *CREDS* 5.2.1R. You will need to refer to this when calculating subordinated debt. Some of the main conditions are listed below:

- When the loan is issued it should have a maturity date of more than five years.
- The conditions attached to the loan should state that the claims of the subordinated creditors rank behind those of all unsubordinated creditors including the *credit union*'s shareholders.
- The subordinated debt should not become due and payable before its final maturity date agreed with the creditor (in writing) except in the event of default by non-payment of any interest or principal under the debt agreement or the winding-up of the *credit union*.

Provided the subordinated debt meets the rules laid down in Chapter 5 (Capital) of *CREDS*, the following formula will need to be used in writing down your *credit union*'s subordinated debt:

Years to maturity	**Amount of loan counting towards capital**
More than 4	100%
Less than and including 4 but more than 3	80%
Less than and including 3 but more than 2	60%
Less than and including 2 but more than 1	40%
Less than and including 1	20%

5E	Total capital	Total capital is calculated using the following formula:

5A + 5B + 5C + 5D = 5E

Information for version 1 credit unions

*Credit union*s should be solvent (maintain a positive net worth) at all times. If your *credit union* does not meet this requirement or may not meet it at a date in the future, you should inform your lineside supervisor (person at *PRA* dealing with your *credit union*) immediately, so that we can work with you on ways to resolve the situation.

Whilst the Quarterly Return (CQ) asks your *credit union* for total capital (which includes reserves, interim net profit/ (loss), subordinated debts and initial capital) you will need to be aware that all *version 1 credit unions* "must at all times maintain a capital-to-total assets ratio of at least 3%", (*CREDS* 5.3.1R). This means that "bad and doubtful debts must be taken into account in establishing the capital-to-assets ratio.", (*CREDS* 5.3.12G).

Although we do not ask for this, specifically, on the Quarterly Return (CQ), we are able to work it out from the information already given. Your *credit union* will need to be aware of how we work out the total net worth of your *credit union*. In calculating the total net worth of your *credit union* you will need to take the following into consideration:

Total Capital

£

Actual provision for doubtful debt - specific

£

Minimum provision for doubtful debt - specific

£

Actual provision for doubtful debt - general

£

Minimum provision for doubtful debt - general

£

Total capital

This is the same figure that appears at **5E** on the CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

Actual provision for doubtful debt - specific

These are the provisions that your credit union has **actually** made to cover loans in arrears as laid down in *CREDS*. It is the same figure that appears at **1F** on the Quarterly Return (CQ).

Minimum provision for doubtful debt - specific

Minimum specific provisions are based on all actual net liabilities on loans which are over 3 months in arrears. (Please refer to Arrears analysis below for further details)

The formula for working out **minimum specific provisions** is as follows:

Arrears Analysis

	Number Net Liabilities
A 3 months to 12 months	£
B Over 12 months	£
C **Total arrears**	**A+B** **£**

The above arrears are based on net liabilities

Information for version 1 credit unions

(continued)

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

100% of **B** (arrears over 12 months)

D

Minimum specific provision

An example on how to work out minimum specific provisions is given below:

Arrears Analysis

	Number	**Net Liabilities**
A 3 months to 12 months	7	£7,000
B Over 12 months	10	£10,000
C **Total arrears** **A+B**	17	

£17,000

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

2,450

100% of **B** (arrears over 12 months)

10,000

D

Minimum specific provision

£12,450

Actual provision for doubtful debt - general

These are the provision for doubtful debt that your *credit union* has **actually** made to cover potential doubtful debts, in the future, as laid down in *CREDS*. It is the same figure that appears at **1G** on the Quarterly Return (CQ).

Minimum provision for doubtful debt - general

Minimum general provisions are based on all actual net liabilities on loans which are currently not in arrears or are up to and including 3 months in arrears. (Please refer to Arrears analysis below for further details).

The formula for working out **minimum general provisions** is as follows:

Minimum general provision

£

Total net liabilities (**1E** on CQ)

Total arrears over 3 months (**C** above)

( )

E

Total net liabilities subject to general provision

E

Minimum general provision
(2% of **E**)

Information for version 1 credit unions

(continued)

An example on how to work out minimum general provisions is given below:

Minimum general provision

£

Total net liabilities (**1E** on CQ)

107,250

Total arrears over 3 months (**C**)

(17,000)

E

Total net liabilities subject to general provision

90,250

E

Minimum general provision

£1,805

(2% of **E**)

How is total net worth calculated?

From the above we have established how to work out how much money your *credit union* should be setting aside to adequately cover doubtful debts. *CREDS* 5.3.12G states that "bad and doubtful debts must be taken into account" when determining the *credit union*'s total net worth.

For this reason, if your *credit union* has not made adequate provisions the shortfall will be deducted from total capital in determining the total net worth of the *credit union*. *Version 1 credit unions* cannot, however, include surplus provisions in this calculation. To calculate the total net worth of your *credit union* you can use the following table:

Minimum Provision

Actual Provision

Affecting net worth

Specific

		A
		B
If A < B	then	"nil"
If A > B	then	(B – A)

General

		C
		D
If C < D	then	"nil"
If C > D	then	(D – C)

Using the figures from the example above:

Actual provision for doubtful debt – specific =	£14,000
Actual provision for doubtful debt – general =	£1,000

Minimum Provision

Actual Provision

Affecting net worth

Specific

12,450

14,000

NIL

General

1,850

1,000

£850

Information for version 1 credit unions (continued)	The **total net worth** of your *credit union* is: Total capital Less: specific provision – affecting net worth Less: general provision – affecting net worth **For the purpose of this example, total capital is £2,000.** Total capital £2,000 Less: specific provision – affecting net worth (£0) Less: general provision – affecting net worth (£850) **Total net worth** **£1,150** On this example, your *credit union* would satisfy the requirements of *CREDS*, since the *credit union* has a "positive net worth". **Capital ratio** (for information purposes only) To determine the capital ratio your *credit union* will use the following formula: Total capital (**5E** or **20C)** X 100 Total assets (**4A** or **16C**) 1

6A-C		This relates to net liabilities on loans mentioned at "loans to members" – **1B** – **1G**. There are 2 time periods under which to analyse the number and amount of loans in arrears and have net liabilities attached.
	"3 months to 12 months"	All loans which are over 3 months and up to and including 12 months in arrears, and have net liabilities attached.
	"over 12 months"	All loans over 12 months in arrears, which have net liabilities attached.
		Please note: Where payments actually received from a member are irregular in timing and/or amount, your *credit union* needs to have a policy on how to deal with such arrears. Ultimately, how sure can your *credit union* be that such a loan will not be defaulted upon in the future? The main concern for us is that your *credit union* can be confident that adequate provisions have been made to offset any potential burdens an irrecoverable debt would place on the *credit union* in the future. For this reason, it may be prudent for your *credit union* to make provisions for such risks. For example: If 15 weekly repayments have been missed (or an amount equivalent to 15 weekly repayments is overdue), then the loan is to be included under the "3 months to 12 months" time period, irrespective of when the most recent repayment was received.
	Number	The actual number of outstanding loans, within the time periods mentioned above, with net liabilities at the end of the quarter.
	Net liabilities	The total amount outstanding on all loans (inclusive of interest owing) in arrears for each time period (i.e. if a loan is in arrears, the figure used should be the total net liabilities owed by the member, including interest - not just the sum of the repayments that have been missed). The formula used is as follows: **Loan balance + interest owing – attached share balance = Net liability** The table below is an example on how to work out net liability:

Loans 3-12 months in arrears

Loan No. Loan

balance

Interest owing

Attached share balance

Net
liability

1

£390

£10

£200

£200

2

£580

£20

£500

£100

3

£4,050

£150

£2,200

£2,000

4

£720

£30

£1,000

£0

5

£115

£10

£50

£75

Total

£5,855

£220

£3,950

£2,375

From this table we see that there are 4 loans with positive net liabilities. Total net liabilities for this period is **£2,375**.

The **Total** of the number and amount of net liabilities of loans in arrears should also be given. From the example above totals will be as follows:

Number

Net Liability

3-12 months

4

£2,375

Over 12 months

0

£0

Total

4

£2,375

Liquidity ratio — page 4 of CQ

7A	Cash and bank balance	The total amount in your *credit union*"s *bank* current account plus any cash in the custody of officers (e.g. cash for the collection point float or petty cash). The following are not to be included in this calculation: Authorised overdrafts; Committed facilities; Other investments of surplus funds which will fall into the investments section of liquid assets. **Please note** that this relates to money relating to members and juvenile depositors. *Credit union*s no longer have to keep the *deposits* of juveniles separate from the shares of members. Grants that constitute part of the *bank* balance should be excluded from liquid assets, unless there are adequate funds in long-term investment to cover the amount of the grant used for this purpose.
7B	Investments (less than 8 days to maturity)	*CREDS* 6.3.8R states that only investments that could be realised within eight days can be included in calculating your *credit union*'s liquidity ratio. It is therefore important that your committee of management takes a long-term view of the *credit union* business before investing surplus funds. Your *credit union* will need to be aware of redemption penalties or other losses you may incur for the early realisation of such funds. In short, most investments can be converted into cash but at a cost. **Please note**: This will include any deposit accounts your *credit union* may use. **IMPORTANT NOTICE: *Version 1 credit unions* should not hold investments with a maturity date of over 12 months (*CREDS* 3.2.2R).** The remainder of the information at **7B** relates directly to *version 2 credit unions*. *CREDS* 6.3.6E(1) provides that for the purpose of calculating a *credit union*'s liquidity ratio, the *securities* referred to in *CREDS* 3.2.1R to 3.2.3R should be valued on the basis that they could be realised at par, minus the following discounts: (a) maturity less than 1 year - Zero (b) maturity 1 to 5 years - 5%" So in events where your *credit union* can realise investments within eight days, you will still need to reduce the applicable figure by 5% for all *securities* with a maturity date of between one and five years. Example:

Time period	Amount realisable in 8 days	Amount allowed for liquidity
Less than 1 year	£200	£200
1 to 5 years	£500	£475

Whilst these are minimum requirements your *credit union* will need to draft and implement a comprehensive Liquidity Management Policy to account for the greater risks attached to longer-term investments.

7C	Unused committed facilities	A committed facility is a committed line of credit, other than an overdraft, from a *bank*. These are funds immediately available from a *bank* and constitute a loan. This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* with which your *credit union* holds its current account. Any unused committed facilities can be entered into this box. If your *credit union* does not have any committed facilities this box should be filled by a "nil". We would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*". *CREDS* 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R. **Please note** that any unused committed facilities may only be used fo calculating the liquidity ratio of your *credit union*, but cannot be usec when calculating the total assets of your *credit union*. We reserve the right to seek evidence of any committed facilities which are used fo liquidity purposes.
7D	Unused overdrafts	This relates to a *credit union* which has an authorised overdraft arrangement with an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* with which your *credit union* holds its current account. Any surplus overdrafts which has not been used can be entered into this box. If your *credit union* does not have an authorised overdraft facility this box should be filled by a "nil". Again, we would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*". *CREDS* 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.

		Please note that any unused overdrafts may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We reserve the right to seek evidence that a *credit union* overdraft facility, which is used for liquidity purposes, has indeed been authorised by the relevant *bank*.
7E	Total liquid assets	This figure is calculated by the following: **7A + 7B + 7C +7D = 7E**
7F	Unattached shares/juvenile deposits	Total value of unattached shares and the total value of juvenile deposits held by your *credit union*. "unattached shares" means the total shares in the credit union other than attached shares and deferred shares. "attached shares" are shares that act as security for a loan, or for *Great Britain credit* unions shares that cannot be withdrawn under the terms of the loan, or, for *Great Britain credit unions* that made loans to members prior to the coming into force of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and *Northern Ireland credit unions*, shares that cannot be withdrawn without the permission of the committee of management.
	Liabilities (with an original or remaining maturity of less than three months)	These are all liabilities excluding unattached shares / juvenile *deposits* (which are already covered in the relevant liabilities being calculated). Only liabilities that fall due within the three-month period are to be included in the calculations. **7G** and **7H** below fall into this group. **Please note**: Only those liabilities (repayments of capital and interest) which fall due over the next three months are to be included.
7G	Authorised overdrafts	All drawn down overdrafts which need to be repaid over the next three months are to be included here Example: Your *credit union* has an overdraft facility of **£2,000**. It has drawn down £600 which it expects to pay back over the next six months on a pro-rata basis. Over the next three months your *credit union* will expect to pay back **£300 capital and any interest charges**. This is the figure to be included.
7H	Other liabilities/borrowings	These are all liabilities excluding unattached shares / juvenile *deposits* and authorised overdrafts (which are already covered in **7F** and **7G**. Included in this category are such things as: loans from other *credit union*s; loans from *bank*s; subordinated debts; committed facilities Example: Your *credit union* receives a **£1,200** loan from your local *bank*. The terms of the loan agreement state that the loan must be repaid in 12 equal monthly instalments over a year. Your *credit union* has to pay back **£100** capital and outstanding interest at the end of every month. In this instance your *credit union* should include three monthly repayments (to include capital and interest), when calculating liabilities with maturity of less than three months.

7J	Total relevant liabilities	This figure is calculated by using the following formula: **7F + 7G + 7H = 7J**
7K	Liquidity ratio	To determine the liquidity ratio, your *credit union* will use the following formula: Total liquid assets (**7E)** X 100 Total relevant liabilities (**7J**) 1

Whilst these figures relate to the quarter end, your *credit union* will need to look at large *exposures* requirements when issuing loans. For example, a large *exposure* is defined as any individual net liability which is at least £7,500 and at least 10% of the value of the *credit union*'s capital.

8A Largest net exposure

A *credit union* should report here its largest large net *exposure.* To work out your *credit union*'s largest large net *exposure* you will need to determine:

a) the net *exposure* on each loan and find the largest figure. The formula for this is:

(loan balance + interest owing) – attached share balance

b) what is the total capital of your *credit union*? This is defined at **5E** of CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

Say, for example your *credit union*'s total capital is £40,000. We know from the above that only net liabilities over 10% of Capital are subject to the large *exposures* rule. Ten percent of £40,000 is £4,000.

However, we further know from the above that only net liabilities over £7,500 are subject to the large *exposures* rule. Below we see all net *exposures* over 10% of total capital and those that do and do not qualify:

Example:

Member number

Attached share balance Loan

balance + interest owing Net

liabilities

Is it a large *exposure*?

150

£3,125

£12,500

£9,375

YES

152

£1,750

£10,000

£8,250

YES

103

£3,115

£12,002

£8,887

YES

462

£2,500

£6,700

£4,200

109

£4,000

£8,500

£4,500

No

As we can see the largest net *exposure* is that of member 150 and it is £9,375.

8B	As % of capital	An individual large exposure should not exceed **25%** of your credit union's capital (*CREDS* 7.4.2R). To determine this percentage, your *credit union* will need to use the following calculation:

$$\frac{\text{Largest large net exposure (\textbf{8A})}}{\text{Total capital (\textbf{5E} or \textbf{20C})}} \times \frac{100}{1}$$

So:

$$\frac{£9{,}375}{£40{,}000} \times \frac{100}{1} = 23.44\%$$

8C Aggregate total of large net exposures

This figure relates to the sum total of all net liabilities subject to the large *exposures* rule as defined in **8A** above.

Taking the example at **8A** above, this figure will be **£35,285** (see below).

Member number	**Attached share balance**	**Loan balance + interest owing**	**Net liabilities**
150	£3,125	£12,500	£9,375
152	£1,750	£10,000	£8,250
103	£3,115	£12,002	£8,887
204	£2,138	£10,911	£8,773
Totals	**£10,128**	**£45,413**	**£35,285**

8D	As % of capital	*CREDS* states that the aggregate total of large net *exposures* should not exceed 500% of the total capital of the *credit union*, and should not exceed 300% of total capital without prior notifying the *PRA*. To see if the example satisfies the rules please use the following calculation:

$$\frac{\text{Aggregate total of large net exposures (\textbf{8C})}}{\text{Total capital (\textbf{5E} or \textbf{20C})}} \times \frac{100}{1}$$

So:

$$\frac{£35,285}{£40,000} \times \frac{100}{1} = 88.21\%$$

Large version 1 and version 2 credit unions — page 4 of CQ

	Risk adjusted capital ratio	A risk adjusted capital ratio is a requirement for larger *version 1 credit unions* and *version 2 credit unions* under *CREDS*. *CREDS* 5.3.15R states "*A version 1 credit union* with total assets of more than £10 million or a total number of members of more than 10,000, or both, must maintain at all times a risk-adjusted capital to total assets ratio of at least 8%"
9A	Total capital	This figure is the same as the figure that appears at **5E** of CQ or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **20C** on the supplementary analysis of the CQ.

9B	Net provisions or 1% of total assets – whichever is the lower	Capital should be risk-adjusted for *version 2 credit unions* and large *version 1 credit unions* (*CREDS* 5.4.1R and *CREDS* 5.3.15R). The maximum net figure for provisions that may be included in calculating risk-adjusted capital is 1% of total assets (*CREDS* 5.4.2R).

Net provisions are those provisions your *credit union* has made minus minimum specific provisions. In other words:

Provision

minus

100% of net liabilities on loans which are 12 months or more in arrears

minus

35% of net liabilities on loans 3-12 months in arrears

=

Net provisions

This figure is calculated by using the following calculation:

Arrears Analysis

	Number	**Net Liabilities**
3 months to 12 months	**A**	£
Over 12 months	**B**	£
Total arrears	**C = A+B**	**£**

The above arrears are based on net liabilities.

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

100% of **B** (arrears over 12 months)

D

Total minimum specific provision

Actual specific provision for doubtful debt (as at **1F**)

Actual general provision for doubtful debt (as at **1G**)

E

Total actual provisions

Total minimum specific provision (**D**)

( )

E

Net provisions

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

G

1% of total assets

The figure that needs to be posted to the Quarterly Return (CQ) is the lesser of **E** and **G.** If this is a negative figure, the figure that appears on the Quarterly Return (CQ) needs to be a negative figure.

A worked example is given on the next page

Example

Arrears Analysis

Number

Net Liabilities

3 months to 12 months

A

5

£28,000

Over 12 months

B

10

£67,000

Total arrears

C = A+B

15

£95,000

The above arrears are based on net liabilities

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

9,800

100% of **B** (arrears over 12 months)

67,000

D

Total minimum specific provision

76,800

Actual specific provision for doubtful debt (as at **1F**)

70,000

Actual general provision for doubtful debt (as at **1G**)

10,000

E

Total actual provisions

80,000

Total minimum specific provision (**D**)

(76,800)

E

Net provisions

3,200

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

1,120,000

G

1% of total assets

11,200

So the figure to be posted onto the Quarterly Return (CQ) at **9B** is **£3,200.**

9C	Total risk adjusted capital	This figure is calculated using the following formula: **9A + 9B = 9C**
9D	Total assets	This is the total assets of your *credit union*. It will be the same figure that appears in **4A** of the CQ or, where a *credit union* has revaluation reserves, at **16C** of the supplementary analysis of the CQ. Please note that unused overdrafts or unused committed facilities cannot be used when calculating the total assets of your *credit union*.

9E	Risk adjusted capital ratio	The risk adjusted capital ratio your *credit union* will use the following formula:

Total risk adjusted capital (**9C**)

X

100

Total assets (**9D**)

1

NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE QUARTERLY RETURN

General Information

A *credit union* should complete the relevant sections of the supplementary analysis of the quarterly return (CQ) for *credit unions* if any of the following conditions apply:

- the *Great Britain credit union* has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the *Great Britain credit union* has issued *deferred shares* in accordance with section 31A of the Act;
- the *Great Britain credit union* has admitted corporate members under section 5A of the Act; or
- the *credit union* has revaluation reserves from the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CQ should be completed as follows:

- Sections 10 – 15 should be completed by a Great Britain credit union that has issued interest-bearing shares, issued deferred shares or admitted corporate members.
  - These sections are intended to break down some of the information contained in the CQ in order to give a clearer picture of the financial position of *Great Britain credit unions* that undertake these activities.
  - The Credit Unions (Northern Ireland) Order 1985 does not provide for *Northern Ireland credit unions* to undertake the activities listed above. Therefore, *Northern Ireland credit unions* do not need to complete sections 10 – 15.
- Sections 16 – 21 should be completed by a *Great Britain credit union* that has issued *deferred shares* or has revaluation reserves. Sections 16 and 19 – 21 should be completed by a *Northern Ireland credit union* that has revaluation reserves.
  - Sections 16 – 21 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and revaluation reserves. Adjusted reserves amounts at 17E and 18A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 20C and 21A are used to determine whether a *credit union* meets the capital requirements in *CREDS*.

Interest-bearing shares

Interest-bearing shares

10A	Total shares	The total amount of money held by the *credit union* relating to shares paid in by members. The amount entered here should be transferred from **1A** on CQ for analysis. In the following sections, this amount should be broken down into interest-bearing and dividend-bearing shares so that: **10A = 10B + 10C**
10B	Interest-bearing shares	The total amount of money held by the *credit union* in respect of shares that are interest-bearing.
10C	Dividend-bearing shares	The total amount of money held by the *credit union* in respect of shares that are dividend-bearing.

Deferred shares

Deferred shares

11A	Total shares	The total amount of money held by the *credit union* relating to shares paid in by members.

		The amount entered here should be transferred from **1A** on CQ for analysis. In the following sections, this amount should be broken down into non-deferred shares and *deferred shares* so that: **11A = 11B + 11C**
11B	Non-deferred shares	The total amount of money held by the *credit union* in respect of non-deferred shares.
11C	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*.

Corporate membership

Corporate members

12A	Number of members	Total number of members of the *credit union*. The amount entered here should be transferred from **1a** on CQ for analysis. In the following sections, this amount should be broken down into different categories of member so that: **12A = 12B + 12C + 12D + 12E**
12B	Individuals	The number of members of the *credit union* that are individuals.
12C	Bodies corporate	The number of members of the *credit union* that are *bodies corporate*.
12D	Partnerships	The number of members of the *credit union* that are partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
12E	Unincorporated associations	The number of members of the *credit union* that are unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

13A	Non-deferred shares	The total amount of money held by the *credit union* in respect of shares that are not *deferred shares*. The amount entered here should be equal to the amount at **11B** above. In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that: **13A = 13B + 13C + 13D + 13E**
13B	Individual non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by individuals.
13C	Body corporate non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by *bodies corporate*.
13D	Partnership non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by partnerships. Partnerships are represented by individuals who are

		members of a *credit union* in their capacity as partners in a partnership.
13E	Unincorporated association non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

14A	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*. This should be equal to the amount at **11C**. In the following sections, this amount should be broken down into *deferred shares* held by different categories of member so that: **14A = 14B + 14C + 14D + 14E**
14B	Individual deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by individuals.
14C	Body corporate deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by *bodies corporate*.
14D	Partnership deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
14E	Unincorporated association deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by unincorporated associations. Unincorporated associations are individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

15A	Total loans to members	The total amount outstanding to the *credit union* on loans to members. The amount entered here should be transferred from **1B** on CQ for analysis. In the following sections, this amount should be broken down into loans to different categories of member so that: **15A = 15B + 15C + 15D + 15E**
15B	Individual loans	The total amount outstanding to the *credit union* on loans to individuals.
15C	Body corporate loans	The total amount outstanding to the *credit union* on loans to *bodies corporate*.
15D	Partnership loans	The total amount outstanding to the *credit union* on loans to partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.

15E	Unincorporated association loans	The total amount outstanding to the *credit union* on loans to unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued total assets

16A	Total assets	The value of total assets of the *credit union*, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from **4A** on CQ.
16B	Revaluation amount	The amount by which the property fixed assets the *credit union* owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.
16C	Re-valued total assets	The current market value of total assets of the *credit union*, including any amount for the upward revaluation of property fixed assets, so that: **16C = 16A + 16B** This amount will be used to determine which *CREDS* requirements apply to a *credit union*.

Adjusted reserves - total

17A	Audited reserves – General	The total amount held by the *Great Britain credit union* in general reserves. The amount entered here should be transferred from **5A** on CQ.
17B	Audited reserves – Other	The total amount of money held by the *Great Britain credit union* in other reserves. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **5B** on CQ.
17C	Revaluation reserves	The amount of revaluation reserves held by the *Great Britain credit union,* arising from the differences between current market values and the book values of the property fixed assets.
17D	Deferred share reserves	The total amount held by the *Great Britain credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves.

17E	Adjusted reserves	The total amount of money held by the *Great Britain credit union* in reserves (including revaluation reserves and deferred share reserves), so that: **17E = 17A + 17B + 17C + 17D** This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Adjusted reserves - percentage

18A	Adjusted reserves as % of re-valued total assets	To determine this ratio the *Great Britain credit union* should use the following formula: Adjusted reserves (**17E**) X 100 / Re-valued total assets (**16C**) This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Revaluation reserves – CREDS capital element

19A	Total capital	The total amount held by the *credit union* as capital in the form of general reserves, other reserves, interim profit or loss, and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **5E** on CQ.
19B	Deferred share reserves	The total amount held by the *credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves. For *Northern Ireland credit unions*, the amount entered here will be nil.
19C	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves so that: **19C = 19A + 19B**
19D	1/3 of (Total capital and deferred share reserves)	To determine this amount the *credit union* should use the following formula:

		1 X Total capital and deferred share reserves (**19C**) / 3
19E	Revaluation reserves	The amount of revaluation reserves held by the *credit union* that meets the requirements in *CREDS* 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.
19F	Revaluation reserves – CREDS capital element	The amount of revaluation reserves meets the limits in *CREDS* 5.2.1R(6) to (8) and so can be included in capital. *CREDS* 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt, initial capital and revaluation reserves. The simplest way of reporting this amount accurately is to calculate an equivalent amount. An equivalent amount is a third of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and *deferred shares*, which is the amount at **19E**. So the amount that can be included in capital for the purpose of meeting the *CREDS* capital requirements will be equal to either **19D** or **19E** above, whichever is the lower.

Adjusted capital - total

20A	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves. This amount should be equal to **19C** above.
20B	Revaluation reserves – CREDS capital element	The amount of revaluation reserves that can be included in capital for the purpose of meeting the *CREDS* capital requirements. This amount should be equal to **19F** above.
20C	Adjusted capital	The sum of total capital, deferred share reserves and the *CREDS* capital element of revaluation reserves so that: **20C = 20A + 20B**

This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

Adjusted capital - percentage

21A	Adjusted capital as % of re-valued total assets	To determine this ratio the *credit union* should use the following formula: Adjusted capital (**20C**) X 100 / Re-valued total assets (**16C**) This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

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Appendix 3b – Notes on completing the Annual Return (CY) for credit unions

Contents

General information

The Annual Return (CY) should be completed by all *credit unions* in the *United Kingdom* at the end of their financial year. The form may be updated from time to time. *Credit unions* should use the form in force at the end of the financial year on which they are reporting. It should be completed using the accruals-based accounting method.

Please read *CREDS* in conjunction with these reporting instructions.

Send the fully completed Annual Return (CY) (including a completed auditor's statement) to the *PRA* in accordance with *SUP* 16.3.6R – *SUP* 16.3.13R by the date stated in the *credit union's* rules . Failure to do so is a breach of your regulatory requirements, as laid down in *CREDS*, and may result in your *credit union* being subject to *PRA* sanctions.

A copy of the audited annual accounts of the *credit union* (and the auditor's report on those accounts) should also be submitted (see *CREDS* 8.2.6R).

If there is no figure to be entered in the box please write "**nil**", "**none**" or "**N/A**" as appropriate.

Care should be taken to avoid errors. The two people who sign page 3 of the Annual Return (CY) should initial any alterations to entries. Correction fluid should **not** be used in correcting entries.

Words in italics denote defined terms which can be found in the Glossary to the main Rulebook.

"*CREDS*" means the Credit Unions New sourcebook.

"*SUP*" means The Supervision Manual (part of the main PRA Handbook).

'CUA 1979' means the Credit Unions Act 1979.

"CUO" means the Credit Unions Order (Northern Ireland) 1985.

The number and figure in brackets shown next to the headings refer to the box numbers on the Annual Return (CY) form.

Accounting Policies

Fixed assets	Fixed assets are stated at net book value. Depreciation is provided on fixed assets at rates expected to cover costs over their expected useful lives.
Investments	These are stated at cost, less provision for permanent diminution in value where necessary.
Provision for doubtful debts	This is made in accordance with the rules and guidance set out in *CREDS* 7.5.4E.
Amount of interest	Interest receivable on loans and other investments and payable on loans made to the *credit union* is to be accrued.

Front page

Name	Insert the registered name of the *credit union*.
Firm reference number	Insert the number assigned to the *credit union* by the *FCA*.
Financial year end	Insert the date of the *credit union's* financial year end (See *CREDS* 8.2.6R(2)(a)).
Version 1 / version 2 requirement	See Rulebook Glossary for definitions.

Details of the credit union

	Name	Insert the registered name of the *credit union*.
	Firm reference number	Insert the number assigned to the *credit union* by the FCA.
	Address	Enter the registered address of the *credit union*
	Affiliation	Insert the name of the trade association that the *credit union* is affiliated to. If the *credit union* is not affiliated, insert "none".
A1	**Membership**	Indicate in the appropriate boxes the number of members that the *credit union* currently has in each category of membership. A "non-qualifying" member is someone who no longer fulfils the membership requirements, having once done so e.g. he or she no longer lives in the common bond area. A "juvenile depositor" is a person who is too young to be a member of the *credit union* (for *Great Britain credit unions* under the *credit union's* rules or, for *Northern Ireland credit unions*, under the CUO or the *credit union's* rules), who can save up to a maximum of £10,000 or 1.5% of the total non-deferred shares in the *credit union*, but cannot take out a loan from the *credit union*.
	Audited accounts	Delete "Yes or No" as appropriate. Audited annual accounts are required by the Friendly and Industrial and Provident Societies Act 1968 and the CUO. Attach a copy of the accounts before returning the Annual Return (CY). See *CREDS* 8.2.6R.
A4	**Computer software**	Please insert the name of the software system the *credit union* uses.
	Bankers	Please insert the name of the *bank* or *building society* the *credit union* holds its current account with.
A5 A6	**Number of staff members paid for by the credit union**	Please insert the relevant number of full and part time staff the *credit union* employs. This figure should not include staff who work at the *credit union* but whose wages are paid by another organisation.
A7	**Number of staff members paid for by other organisations**	Please insert the number of paid staff that the *credit union* has that are paid for by outside organisations.
	Paid staff members - *approved persons*	Please delete either yes or no as appropriate.

Fidelity bond insurance

The purpose of this section is to ensure that the *credit union* had sufficient and continuous insurance in place during the period covered by the Annual Return (CY).

	Policy issued by	Insert the name of the company providing the insurance to the *credit union*.
A8	**Date of inception of policy or last renewal**	Insert the date that the policy originally started or the date on which it was last renewed. The date of the last renewal is likely to coincide with the *credit union's* year-end (prior year).
A9	**Date of expiry of policy**	This should be the date that the policy held by the *credit union* expires. It is likely to be the same date as the year-end for this return.

A10	**Amount of cover**	The amount of cover actually provided should be available from the bonding certificate or insurance policy.

Table showing the amount of cover required (*CREDS* 4 Annex 1R)

Aggregate value

Cover required in respect of any one claim

Cover required in respect of total claims made in any one year

Less than £10,000

The higher of £500 or 50 per cent of the aggregate value

The higher of £1,000 or 100 per cent of the aggregate value

£10,000 to £100,000

The higher of £5,000 or 20 per cent of the aggregate value

100 per cent of the aggregate value

More than £100,000

The higher of £20,000 or 15 per cent of the aggregate value

The higher of £!00,000 or 75 per cent of the aggregate value

Over £1,000,000

£150,000 plus 5 per cent of value over £1,000,000

(subject to a maximum of £2,000,000)

£750,000 plus 5 per cent of value over £1,000,000

(subject to a maximum of £4,000,000)

A11	**All claims in any one year**	The total amount of claims that the *credit union* has made on its fidelity bond insurance policy in this financial year.
A12	**Were any claims made?**	Please answer yes or no.
	Signatures	The signatories should not sign the form until they have made sure that all entries are complete. One signatory should be a member of the committee of management. One signatory should be the secretary of the *credit union*. Any corrections to entries should be initialled by each of the two signatories. Send in the form with originals (**not** photocopies).

Balance sheet

The balance sheet sets out the *credit union's* total assets, reserves and liabilities at the end of the financial year.

	ASSETS	
1A	**Fixed assets**	The figure entered here should include the value of any property the *credit union* owns (e.g. the *credit union's* registered office, computer or office equipment). Depreciation of the fixed assets should be deducted before the figure is entered into the box. If a *credit union* has re-valued its property fixed assets upwards, the re-valued amount of fixed assets

		should not be included here. Instead, include here the value of fixed assets excluding any upward property revaluation. The re-valued amount of fixed assets should be included in the supplementary analysis of the annual return (CY) for *credit unions* at **41C**.
	Current assets	
1B	Investments – *Banks* and *Building Societies*	The total of money held in a *bank* or *building society* investment account: this will be separate from the current account that the *credit union* holds and will usually pay more interest on the monies held. *Credit unions* may only invest this money in *deposits* or loans to: (1) a *UK domestic firm* with *Part 4A permission* to *accept deposits*; (2) an institution which is authorised in any other *EEA State* to *accept deposits* (See *CREDS* 3.2.1R)
1C	Investments – securities	The total of money held in *securities*. A *credit union* may only invest this money in: sterling-denominated *securities* issued by the government of any EEA State; (2) and fixed-interest sterling-denominated *securities* guaranteed by the government of any *EEA State* (See *CREDS* 3.2.1R). *A version 1 credit union's investments* should not have a maturity date exceeding 12 months from the date the *investment* was made (*CREDS* 3.2.2R). *A version 2 credit union's investments* should not have a maturity date exceeding five years from the date the *investment* was made. (*CREDS* 3.2.3R) Further information can be found in *CREDS* Chapter 3 (Investment and borrowing).
1D	Investments juvenile deposits	The *investments* held in respect of the *credit union's* juvenile depositors.
	Due from members for loans	The total amount outstanding at the year-end on all loans to members.
1E	Secured loans	The total amount outstanding to the *credit union* that is secured e.g. on shares or property. This figure will exclude any loans written off during the financial year. Please note that if loans are secured on property, a legal charge should be taken out by the *credit union* to ensure that the loan is properly secured.
1F	Unsecured loans	The total amount of loans that are made to members but are not fully secured as indicated above. This figure will exclude any loans written off during the financial year.
	Less: Provision for doubtful debts	This figure is deducted from the loan balances and is therefore shown as a negative.
1G	General provision	*CREDS* 7.5.4E sets out that *credit unions* should maintain a general provision for bad and doubtful debts of at least 2% of net liabilities not already covered by specific provisioning on loan arrears (**1H**). General provisions are provisions that your *credit union* has made to cover potential doubtful debts in the future. These are loans currently not in arrears or loans that are in arrears up to three months.
1H	Specific provision	*CREDS* 7.5.2R states that a *credit union* must make specific provision in its accounts of at least:

		(1) 35% of the net liability to the *credit union* of borrowers where the amount is more than three months in arrears. (2) 100% of the net liability to the *credit union* of borrowers where the amount is more than 12 months in arrears. Net liability on a loan can be calculated as follows: **(Balance of loan + outstanding interest) – attached shares** Where a member's attached shares exceed the amount held in loan there is no risk to the *credit union* and no provision needs to be made. Please note that these are minimum requirements and your *credit union* may need to make additional provisions to reflect the risks and/or potential risks bad debts will have on the *credit union*.
1J	Due from other *credit unions*	The total amount outstanding at the year-end on all loans made to other *credit unions* (irrespective of when the loans were made).
1K	Cash and *bank* balances	The total amount in the *credit union's bank* account, plus any cash that the *credit union* holds (e.g. collection point floats or petty cash). If the *credit union* has drawn upon its overdraft facilities, the amount owed should be inserted in box **2D** of the balance sheet.
1L	Other debtors	Any monies owed to the *credit union* from organisations not listed above.
1M	Prepaid expenses	These are bills that the *credit union* has paid but the benefit falls into a later accounting period e.g. insurance premiums.
1N	Other	This can include any other assets not covered in the above boxes. It may include suspense accounts that have been opened to correct an error. A suspense account figure should only appear under "assets" if the error results from over debiting and the amount is expected to be recoverable. Any entries made here should be itemised.
1P	**Total assets**	This figure is the sum total of boxes **1A-1N**.
	LIABILITIES	
2A	Juvenile deposits	The total amount due to juvenile depositors.
	Loans	
2B	Borrowings from other credit unions	The figure for the amount outstanding on any loan that the *credit union* may have received from another *credit union*.
2C	*Bank* loan	The figure for the amount outstanding on any loan that the *credit union* may have received from a *bank*. *A version 1 credit union* may not borrow more than 20% of the total shareholding (see box 13d) of the *credit union* except on a short-term basis. Subordinated debt does not form part of the later calculation. (See *CREDS* 3.3.3R to 3.3.6R for more information.)
2D	Authorised overdrafts	The amount that the *credit union* is overdrawn at the *bank*. This figure should not be shown on the assets side of the balance sheet.
2E	Grants	Total amount of grants that the *credit union* has received but not yet released to revenue.
2F	Other creditors and accruals	Money that the *credit union* owes with respect to bills or interest still owing on loans.
2G	Corporation tax	The amount of tax owed by the *credit union* at the year-end in respect of corporation tax. Corporation tax is payable on interest earned on non-trading income e.g. bank account interest.
2H	Interest to juvenile depositors	The amount of interest payable on juvenile accounts that the *credit union* has not paid at the end of the financial year.

2J	Applications	Total monies applied to dividend, rebate of interest and donations in the current year but not yet paid to members.
2K	Other	This should include any other liability not covered above. All entries made here should be fully itemised.
2L	**Total liabilities**	This figure is the sum total of boxes **2A-2K**.
2M	**Net assets**	This is the sum of total assets minus total liabilities (**1P** minus **2L**).

	Credit union capital and reserves	
2N	General reserves	Amount held by the *credit union* in general reserve (See *CREDS* 5.3.2R.)
2P	Other reserves	Money that the *credit union* has set aside out of profits e.g. a revenue reserve to provide for unforeseen circumstances. Other reserves are entirely voluntary and do not have to be held by the *credit union*. **Please note:** Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* shall transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, if money is held for deferred shares by a *Great Britain credit union*, it should not be included here within other reserves in the main body of the CY, but reported separately in the supplementary analysis of the CY at **42D** and **44B**. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here within other reserves but reported separately in the supplementary analysis of the CY at **42C** and **44E**.

2Q-R Subordinated debt

Subordinated debts in **2Q-R** are loans where the lender has agreed to the terms set out on *CREDS* 5.2.1R. They are loans to the *credit union* where the lender has agreed to rank behind everyone else, if the *credit union* fails, in terms of recovering their money. The loans should have an original term of over five years.

Whereas your *credit union* is permitted to raise subordinated debt from a variety of sources, it cannot automatically include subordinated debts when calculating the capital ratio. To be included in the calculation of capital, subordinated debt should meet the rules laid down in *CREDS* 5.2.1R(4). You will need to refer to this when calculating subordinated debt. Some of the main conditions are listed below:

- When the loan is issued it should have a maturity date of more than five years.
- The conditions attached to the loan should state that the claims of the subordinated creditors should rank behind those of all unsubordinated creditors including the *credit union's* shareholders.
- The subordinated debt should not become due and payable before its final maturity date except in the event of default by non-payment of any interest or principal under the debt agreement or the winding-up of the *credit union*.

Please note that only subordinated debt counting towards capital should be shown in **2Q-R**.

To meet the subordinated debt rules laid down in Chapter 8 (Capital requirements) of *CREDS*, the following formula should be used in writing down your *credit union's* subordinated debt (see *CREDS* 5.2.7R):

Years to maturity	Amount of loan counting towards capital
More than 4	100%
Less than and including 4 but more than 3	80%
Less than and including 3 but more than 2	60%
Less than and including 2 but more than 1	40%
Less than and including 1	20%

2S	Total capital	The total of boxes 2N-2R.
2T	Members' share balances	Total amount of money held by the *credit union* in respect of shares paid in by members, including money paid in for *deferred shares*.
2U	Total capital and share balances	This is the sum of total capital plus members' share balances. This figure should be equal to the net assets figure shown in box **2M**.

Revenue account

The Revenue Account sets out the *credit union's* total income and expenditure, in order to arrive at the profit for the year.

	Income	
3A	Entrance fees	The total amount of money the *credit union* has received through entrance fees from new members.
3B	Interest from members' loans	The total amount of interest earned on loans made to members.
3C	*Bank* interest	The total amount of interest receivable on the *credit union's bank* account.
3D	Other investment income	The total amount earned on investments held by the *credit union*.
3E	Profit on sale of investments and assets	Profit earned on any investment or asset sales.
3F	Bad debts recovered	The amount of debts that the *credit union* has recovered having previously written them out of the accounts.
3G	Administrative charges on juvenile account	The amount earned by the *credit union* on any administrative charges to juvenile depositors.
3H	Grants	Money received by the *credit union* in the form of a grant from another organisation and released into revenue.
3J	Donations	Money received by the *credit union* in the form of a donation from a member or another body.
3K	Insurance commission	Money received by the *credit union* from commission on insurance product sales.
3L	Annual membership fees	Money received by the *credit union* from charging an annual membership fee for members.
3M	Ancillary service charges	Money received by the *credit union* from fees for providing ancillary services to members.
3N	Other income	This could be any other form of income received by the *credit union* that is not covered above by **3A-3M**. Any entry made here should be fully itemised.
3P	**Total income**	This figure is the sum total of boxes **3A-3N**.

	Expenditure	
4A	Admin expenses	This figure should include the following expenditure items as a total figure: 1. Occupancy costs 2. Printing, stationery and advertising costs 3. Staff remuneration 4. Insurance costs (not fidelity bond) 5. Legal fees
4B	Auditor's remuneration	Total payable to auditor.
4C	Fidelity bond insurance	Total payable for fidelity insurance.
4D	Management expenses	Total payable for expenses incurred by the officers of the *credit union* e.g. Officer expenses, honoraria to officers and expenses.
4E	Bad debt provision	The net amount in the year added to the bad debt provision to provide adequately for loan arrears for the whole financial year. This may be a negative amount if arrears have fallen during the year.

4F	Bad debts written off	The total amount of outstanding loans written out of the accounts due to non-payment to the extent that they have not been charged to the bad debt provision. These are delinquent loans that your *credit union* believes are likely to be irrecoverable and has therefore been written out of the accounts. Writing off loans does not prevent your *credit union* continuing to seek repayment.
4G	*Bank* charges	Charges payable on the *credit union's bank* accounts.
4H	Interest charged on borrowings	This is total amount of interest the *credit union* has paid on borrowings. This figure is the sum total of boxes **22C, 23C, 24C and 25C**.
4J	Loss/revaluation on investments/assets	The total amount that the *credit union* has lost on investment sales and asset revaluation. This should not include depreciation as this is a capital movement not an expenditure item.
4K	General insurance	The total amount that the *credit union* has paid for general insurance during the year.
4L	LP/LS insurance	The total amount that the *credit union* paid on LP/LS insurance.
4M	PRA and related fees/costs	The total amount that the *credit union* paid to the *PRA* during the year. Please note that this figure should include the costs of the *Financial Ombudsman Service*.
4N	Trade association membership dues	The total amount the *credit union* paid to its trade association for membership during the year.
4P	Other	This should include any expenditure items not covered in the other boxes. Any entry made here should be fully itemised. For example loans made to other *credit unions* that have been written off due to non-payment.
4Q	**Total expenditure**	This figure is the sum total of boxes **4A-4P**.
4R	**Income less expenditure**	The sum of box **3P** less box **4Q**.
5	**Profit/loss for year before taxation**	If the figure is a negative, the *credit union* made a loss for the financial year. A positive figure denotes that a profit has been made by the *credit union.*
6	Less taxation	The amount payable by the *credit union* on any taxable profit. Any tax enquiries should be made to your local Inland Revenue Office.
7	Profit/Loss for year transferred to appropriation account	Amount transferred to appropriation account for distribution.

Appropriation Account

8A	Profit (loss) after tax	The same figure as shown at the end of the Revenue Account at **7**.
8B	Transfer to general reserve	This transfer should be compliant with *CREDS* 5.3.3R to 5.3.5R. For a *version 1 credit union* if the *credit union's* general reserve is less than 10% of total assets, the *credit union* should transfer at least 20% of surplus to general reserve. *Credit unions* may also make a voluntary transfer to general reserve and that should also be shown.
8C	Transfer to other reserve	The amount the *credit union* decided to transfer to other reserves after the transfer to general reserve has taken place.
8D	Transfer from general reserve	The *credit union* can only remove funds from general reserve if the general reserve exceeds 10% of total assets.
8E	Transfer from other reserve	The *credit union* can transfer funds from other reserves as and when it sees fit.

8F	Transfer to applications	Funds transferred for distribution.

Applications

9A	Transfer from appropriation account	The same as the amount shown at **8F** in the appropriation account.
9B	Transfer as % of profit after tax	This is the percentage of profit transferred into the applications account for distribution.
9C	Dividend	The amount of surplus the *credit union* will pay to members in the form of a dividend.
9D	Rate of dividend	The percentage of dividend paid on members' accounts. If different rates are paid on different types of accounts these different rates should be shown in the boxes provided.
9E	Rebate of interest	The amount of surplus that the *credit union* intends to use as a rebate on interest receivable on members' loans.
9F	Rate of interest rebate	The percentage of interest rebate the *credit union* has given on members' loans.
9G	Donations	Any monies donated to another *credit union* or charitable organisation.

Reserves

	General Reserve	
10A	Opening balance	The amount of general reserve at the end of the last financial year before any additions or subtractions for this financial year.
10B	Transfer from appropriation account	The same as the amount shown at **8B** in the appropriation account.
10C	Transfer as % of profit after tax	This sum is the amount transferred as a percentage of profit after tax. For *version 1 credit unions*: if your general reserve is less than 10% of total assets at the end of the previous financial year, then this figure should be at least 20% of profit.
10D	Transfer from other reserves	Money transferred from other reserves into the general reserve – same as **11F**.
10E	Transfer to appropriation account	Money transferred to appropriation account – same as **8D**.
10F	Transfer to other reserves	The amount transferred to other reserves – same as **11D**.
10G	Closing balance	The total general reserve at the end of this financial year. This should be identical to the figure shown on the balance sheet at **2N**. This figure should be the sum of **10A+10B+10D-10E-10F**.

	Other Reserves	
11A	Opening balance	The balance of other reserves at the end of the previous year.
11B	Transfer from appropriation account	The amount transferred from the appropriation account as at **8C**.
11C	Transfer as a percentage of profit after tax	This sum is the amount transferred as a percentage of profit after tax.
11D	Transfer from general reserve	The amount transferred as at 10F from general reserve.
11E	Transfer to appropriation account	The amount transferred from other reserves as at 8E into the appropriation account.

11F	Transfer to general reserve	The amount of voluntary transfer the *credit union* has made from other reserves as at **10D** into the general reserve.
11G	Closing balance	The total amount held in other reserves at the *credit union* at the end of the financial year and identical to the figure in box **2P** on the balance sheet. This figure should be the sum of **11A+11B-11D-11E-11F**.

Notes to accounts

	Membership	
12A	Beginning of year	Number of members at the start of the financial year.
12B	Added during year	Number of new members during financial year.
12C	Ceased during year	Number of members who ceased membership during financial year.
12D	Total members	Total members at the end of the financial year. This figure is the sum total of boxes **12A+ 12B – 12C**.
12E	Non qualifying at end of year	Total number of non-qualifying members at the end of the financial year. Non-qualifying members are members who once qualified under the common bond but no longer do so. For example, if someone moved outside the common bond area of your *credit union* or ceased to work for the employer your *credit union* is related to.
12F	% Non qualifying members	This is the percentage of non-qualifying members of the total membership of the *credit union*: Non-qualifying members X 100 Total members 1

	Shareholdings	
13A	Opening balance	The total shareholdings and juvenile deposits at the end of the last financial year.
13B	Shares in including dividends)	The total amount of shares and juvenile deposits added during the year including any dividend paid. Please note that this should be a total amount and not net amount.
13C	Shares withdrawn including transfers)	The total amount of shares and juvenile deposits that have been withdrawn during the financial year and should include any shares transferred to offset loans outstanding. This figure is a negative entry due to the reduction to total shares
13D	Closing balance	The total amount of shares and juvenile deposits held by the *credit union* at the year-end. This figure is the sum total of boxes **13A + 13B – 13C**.
13E	Average share balance	The average share balance of the *credit union*. This can be calculated

		by dividing total shares by the total number of members at the end of the year.
13F	Value of unattached shares	Total value of *unattached shares* and the total value of juvenile deposits held by your *credit union*. "*unattached shares*" means the total shares in the *credit union* other than *attached shares* and *deferred shares*. "*attached shares*" are shares that act as security for a loan, or for *Great Britain credit unions* shares that cannot be withdrawn under the terms of the loan, or, for *Great Britain credit unions* that made loans to members prior to the coming into force of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and *Northern Ireland credit unions*, shares that cannot be withdrawn without the permission of the committee of management.

	Loans to Members	
14A	Opening balance	The total amount owing to the *credit union* at the end of the previous financial year.
14B	Loans made to members	The total amount of loans made to members during the financial year.
14C	Interest receivable	The amount of interest charged on loans to members.
14D	Total repayments (interest and capital)	The total amount of loans (including interest) that have been repaid during the year. The figure should also include loans that have been repaid due to a share to loan transfer. This figure is a negative entry due to the reduction to total loans.
14E	Bad debts written off	The total amount of loans that have been written out of the accounts of the *credit union* and should be the same as that shown in the Revenue Account at **4F**. This figure is a negative entry due to the reduction to total loans.
14F	Closing balance	The total amount of loans that the *credit union* has out to members at the end of the financial year. This figure is the sum total of boxes **14A+14B+14C-14D-14E**.
14G	Number of loans (at year-end)	The total number of loans outstanding at the end of the financial year.
14H	Total net liabilities	The total amount of outstanding on loans (inclusive of interest owing). Net liabilities can be calculated by using the following formula: **Loan balance + interest owing – attached share balance = Net liabilities**

15A-C	**Arrears analysis**	This relates to net liabilities on loans. In this section there are 2 time periods under which to analyse the number and amount of loans in arrears and have net liabilities attached: • "3 months to 12 months" on the Annual Return (CY) refers to all loans which are over 3 months and up to and including 12 months in arrears, and have net liabilities attached; • "over 12 months" on the Annual Return Form refers to all loans which are over 12 months in arrears, and have net liabilities attached; **Please note**: Where payments actually received from a member are irregular in timing and/or amount, your *credit union* should have a policy on how to deal with such arrears. Ultimately, how sure can your *credit union* be that such a loan will not be defaulted upon in the future? The

main concern for us is that your *credit union* can be confident that adequate provisions have been made to offset any potential burdens an irrecoverable debt would place on the *credit union* in the future. For this reason, it may be prudent for your *credit union* to make provisions for such risks.

For example:

If 15 weekly repayments have been missed (or an amount equivalent to 15 weekly repayments is overdue), then the loan should be included under the "3 months to 12 months" time period, irrespective of when the most recent repayment was received.

Number	The actual number of outstanding loans, within the time periods mentioned above, with net liabilities at the end of the quarter.
Net liabilities	The total amount outstanding on all loans (inclusive of interest owing) in arrears for each time period (i.e. if a loan is in arrears, the figure used should be the total net liabilities owed by the member, including interest - not just the sum of the repayments that have been missed). The formula used is as follows:

Loan balance + interest owing – share balance = Net liability

The table below is an example on how to work out net liability:

Loans 3-12 months in arrears:

Loan No.	**Loan balance**	**Interest owing**	**Share balance**	**Net liability**
1	£390	£10	£200	£200
2	£580	£20	£500	£100
3	£4,050	£150	£2,200	£2,000

4	£720	£30	£1,000	£0
5	£115	£10	£50	£75
Total	**£5,855**	**£220**	**£3,950**	**£2,375**

From this table we see that there are 4 loans with positive net liabilities. Total net liabilities for this period is £2,375.

The **Total** of the number and amount of net liabilities of loans in arrears should also be given. From the example above totals will be as follows:

	Number	Net Liability
3-12 months	4	£2,375
Over 12 months	0	£0
Total	**4**	**£2,375**

Provision for members' doubtful debts

General Provision

16A	Balance at beginning of year	The total general provision at the beginning of the year. General bad debt provisions refer to provisions that your *credit union* has made to cover potential doubtful debts. These are loans not currently in arrears or loans up to and including three months in arrears.
16B	Increase in year	The total amount added to the general bad debt provision during the financial year.
16C	Written off in year	The total amount of loans written off from the general bad debt provision during the financial.
16D	Decrease in year	The total amount released from the general bad debt provision during the financial year because it was no longer required e.g. because the total amount of loans outstanding has fallen
16E	Balance at end of year	The total general provision at the end of the year. Please note that *CREDS* 7.5.4R states that a *credit union* should have a general bad debt provision of 2% of total net liabilities on all loans not covered by the specific bad debt provisioning. This figure is the sum total of boxes **16A+16B-16C-16D** and should be the same as box **1G** on the balance sheet.

Specific provision

16F	Balance at beginning of year	The amount that the *credit union* has specifically provided against loan arrears at the beginning of the financial year.
16G	Increase in the year	The total amount placed into the specific bad debt provision during the financial year.
16H	Written off during year	The total amount of loans written off from the specific bad debt provisions during the financial year.
16J	Decrease in year	The total amount released from the specific bad debt provision during the financial year.
16K	Balance at end of year	The total amount in the specific general reserve at the end of the financial year. To comply with *CREDS* 7.5.2R, all net liabilities on loans over 12 months in arrears should be fully provided for and all loans between 3-12 months should be provided for on a 35% of net liabilities basis. This figure is the sum total of boxes **16F+16G-16H-16J** and should be the same as box **1H** on the balance sheet.

FIXED ASSETS

17A	Opening cost	The total amount of fixed assets the *credit union* had at the end of the previous financial year.
17B	Additions at cost	The total amount of fixed assets purchased during the financial year.
17C	Original cost of disposals	The total amount of fixed assets sold during the financial year shown at original cost. It is shown as a negative, as it reduces the total amount of fixed assets held by the *credit union*.
17D	Opening depreciation	Amount of depreciation at the end of the financial year.
17E	Depreciation charge in year	Total amount of depreciation charged against assets.

17F	Depreciation eliminated on disposals	Total amount taken out due to disposal of assets.
17G	Net book value	The total amount of fixed assets held by the *credit union* at the end of the financial year. This figure is the sum total of boxes **17A+17B-17C-17D-17E-17F** and match that shown in the balance sheet at **1A**.

	INVESTMENTS	
	Due from other credit unions	
18A	Opening balance	The total amount that the *credit union* had out on loan to other *credit unions* at the beginning of the financial year.
18B	Transfer to other credit unions during year	The total of loans granted to other *credit unions*.
18C	Repaid by credit union during year	The total amount of the loan that has been repaid excluding the interest that the *credit union* has received on that loan.
18D	Capital written off	The total amount of loans made to other *credit unions* that have been written off due to default or non-payment.
18E	Closing balance	The total amount of outstanding loans made to other *credit unions* at the year-end. This figure is the sum total of boxes **18A+18B-18C-18D**.
18F	Return on investment	The total amount of interest received by the *credit union* on its loans to other *credit unions* this should be the end of year balance.

	Investments – Bank and Building Societies	
19A	Opening balance	The amount that the *credit union* had in an investment account held at a *Bank or Building Society* at the beginning of the year.
19B	Invested during year	The amount of money added to the investment account during the year.
19C	Withdrawn during year	The amount of money withdrawn during the year.
19D	Closing balance	The amount that the *credit union* held in an investment account at the end of the year. This figure is the sum total of boxes **19A+9B-19C**.

	Investments - Securities	
20A	Opening balance	The amount the *credit union* held in investments at the beginning of the year.
20B	Investments purchased during year	The total cost of new investments the *credit union* made during the year.
20C	Investment sold during year	Amount received for investments sold during year.
20D	Losses/capital written off	Amount written off during financial year due to losses on sale of investments or a change in their market value.
20E	Closing balance	Amount of investments at end of financial year. This figure is the sum total of boxes **20A+20B-20C-20D**.

	Cash and *Bank* balance	
21A	Opening balance	Amount held in *Bank* and in cash at beginning of year.
21B	Increase/decrease)	Amount added/withdrawn from cash/*bank* balances during year.
21C	Closing balance	The amount held in cash and at *Bank* at the end of year. This figure is

		the sum total of boxes **21A+/-21B**.

	DEBT LIABILITIES	
	Borrowings from other credit unions	
22A	Opening balance	The total amount of borrowings the *credit union* had at the beginning of the financial year.
22B	Amount received	The total amount the *credit union* borrowed from other *credit unions* during the financial year.
22C	Interest charged for the year	The total amount of interest payable on loans from other *credit unions*.
22D	Repayments (capital and interest)	The total amount of the loan that the *credit union* has repaid and is shown as a negative as it reduces the total amount of borrowings.
22E	Closing balance	Total amount of borrowings at year-end. This figure is the sum total of boxes **22A+22B+22C-22D**.
22F	Date of final repayment	The date that the last payment is due to the lending *credit union*.

	***Bank* Loans**	
23A	Opening balance	The total amount at the beginning of the financial year that the *credit union* borrowed from a *bank*.
23B	Amount of loan received	The total amount borrowed by the *credit union* during the financial year.
23C	Interest charged for the year	The total amount of interest payable on the loan during the financial year.
23D	Repayments (capital and interest)	The total amount the *credit union* repaid during the financial year.
23E	Closing balance	Total amount of *bank* loans at end of financial year. This figure is the sum total of boxes **23A+23B+23C-23D**.
23F	Date of final repayment	The date that the final repayment is due.

	Other borrowings	
24A	Opening balance	The total amount of other borrowings that the *credit union* had at the beginning of the financial year.
24B	Amount of loan received	The total amount of the loan borrowed during the financial year.
24C	Interest charged for year	The total amount of interest payable on the loan during the financial year.
24D	Repayments (capital and interest)	The total amount that the *credit union* has repaid.
24E	Closing balance	Total amount of other borrowings at financial year-end. This figure is the sum of boxes **24A+24B+24C-24D**.
24F	Date of final repayment	The date that the last payment is due to the lender.

	Subordinated Debt	Subordinated debts are any loans where the lender has agreed to the terms as set out in *CREDS* 5.2.1R. These terms include agreeing to rank behind other creditors including the *credit union's* members in the event of the *credit union* failing. Total amounts of subordinated debt held by the *credit union* should be shown here although only the amounts attributable to capital

		calculations should be shown in the balance sheet. Please see the guidance for boxes **2Q-R**.
25A	Opening balance	Total amount of subordinated debt at the beginning of financial year.
25B	Received during year	Total additions to subordinated debt during financial year.
25C	Interest charged for the year	The total amount of interest payable on the subordinated debt.
25D	Repaid during year	Total amount of capital repaid on subordinated debt during financial year.
25E	Closing balance	Total amount of subordinated debt at the end of the financial year. This figure is the sum total of boxes **25A+25B+25C-25D**.

	Authorised overdrafts	
26A	Maximum limit	Maximum amount that the *credit union* can go overdrawn by.
26B	Charges incurred during year	Total amount of charges during the financial year (*bank* charges not interest).
26C	Date term expires	Date the overdraft facility expires.
26D	Max amount drawn during year	The maximum amount of overdraft used during the financial year.

	Committed facilities	A committed facility is a committed line of credit, other than an overdraft, from a bank. These are funds immediately available from a bank and constitute a loan. This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the bank with which your *credit union* holds its current account. Any unused committed facilities can be entered into this box. If your *credit union* does not have any committed facilities, enter "nil" in this box. We would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*". *CREDS* 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R. **Please note**: any unused committed facilities may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We reserve the right to seek evidence of any committed facilities which are used for liquidity purposes.
27A	Maximum limit	Maximum amount that the *credit union* can call on.
27B	Charges incurred during year	Total amount of charges incurred during financial year for use of standby facility (*bank* charges not interest).
27C	Date facility expires	Date the standby facility expires.
27D	Max used committed facilities during year	The maximum amount of used committed facilities during the financial year.

	Grants	
28A	Opening balance	Amount of grants at start of financial year.
28B	Received during year	Total amount of new grants received during the financial year.

28C	Applied during year	Total amount of grants applied during the financial year.
28D	Closing balance	Total amount of grants at the end of the financial year. This figure is the sum total of boxes **28A+28B-23C**.
28E	Date Grants expire	Date grant funding ends.

Liquidity ratio

Liquid assets

29A	Cash and *bank* balance	The total amount in your *credit union's* current *bank* account and any cash held in the custody of officers. This should be the same as box **1K**. The following are not to be included in this calculation: • Authorised overdrafts; • Committed facilities; • Other investments of surplus funds which will fall into the investments section of liquid assets.

29B Investments (less than eight days to maturity)

CREDS 6.3.8R states that only investments that could be realised within eight days can be included in calculating your *credit union's* liquidity ratio. It is therefore important that your committee of management takes a long-term view of the *credit union* business before investing surplus funds in long term investments. Your *credit union* will need to be aware of redemption penalties or other losses you may incur for the early realisation of such funds. Most funds can be converted into cash but at a cost.

Please note: This will include any *deposit* accounts your *credit union* may use.

***Version 1 credit unions* should not hold any investments with a maturity date of over 12 months (*CREDS* 3.2.2R).**

The remainder of the information in 29B relates directly to *version 2 credit unions.*

CREDS 6.3.6E(1) provides that: for the purpose of calculating a *credit union's* liquidity ratio, the *securities* referred to in *CREDS* 3.2.1R to 3.2.3R should be valued on the basis that they could be realised at par, minus the following discounts:

(a)	maturity less than 1 year	Zero
(b)	maturity 1 to 5 years	5%

So in events where your *credit union* can realise investments within eight days, you will still need to reduce the applicable figure by 5% for all *securities* with a maturity date of between one and five years.

Example:

Time period	Amount realisable in 8 days	Amount allowed for liquidity
Less than 1 year	£200	£200
1 to 5 years	£500	£475

Whilst these are minimum requirements your *credit union* will need to draft and implement a comprehensive liquidity management policy to account for the greater risks attached to longer term investments.

29C Unused committed facilities

This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* or *building society* with which your *credit union* holds its current account. Any unused committed facilities may be entered into this box. If your *credit union* does not have any committed facilities, enter "nil" in this box. Please note that to comply with *CREDS* 3.3.4E, the total borrowings of a *version 1 credit union* should not exceed 20% of the total adult shareholdings at the end of two consecutive quarters.

		Please note: any unused committed facilities may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We at the *PRA* reserve the right to seek evidence of any committed facilities, which are used for liquidity purposes.
29D	Unused overdrafts	This relates to a *credit union* which has authorised overdrafts arrangement with an institution authorised to accept *deposits* within the *EEA*. Normally this will be the *bank* or *building society* with which your *credit union* holds its current account. Any surplus overdrafts which have not been used may be entered into this box. If your *credit union* does not have an authorised overdraft facility, enter "nil" in this box. Please note that as laid down in *CREDS* 3.3.4E the total borrowings of a *version 1 credit union* may not exceed 20% of the total adult shareholdings at the end of two consecutive quarters. **Please note:** any unused overdrafts may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We may seek evidence that a *credit union* overdraft facility, which is used for liquidity purposes, has indeed been authorised by the relevant *bank* or *building society*.
29E	Total liquid assets	This figure is the sum total of boxes **29A+29B+29C+29D**.
	Relevant liabilities	
30A	Unattached shares	Please see earlier definition above at **13F**.
	Liabilities (with an original or remaining maturity of less than three months)	These are all liabilities excluding unattached shares (which are already covered in the relevant liabilities being calculated). Only liabilities that fall due within three months can be included in the calculations.
30B	Authorised overdrafts	These are all drawings under authorised overdraft.
30C	Other liabilities / borrowings	These are all liabilities, excluding unattached shares and authorised overdrafts (which are already covered in the relevant liabilities being calculated here). Included in these calculations are such things as: • loans from other *credit unions* • loans from *banks* • subordinated debt • committed facilities Chapter 7 (Lending to members) of *CREDS* sets out the sources of borrowing available to *credit unions*.
30D	Total relevant liabilities	This figure is the sum total of boxes **30A+30B+30C**.
30E	**Liquidity ratio**	To determine the liquidity ratio your *credit union* will use the following formula:

Total liquid assets

X

100

Total relevant liabilities

1

Please note that your liquidity level should not fall below the level set out in *CREDS* 6.3.1R, *CREDS* 6.3.2R and *CREDS* TP 1.

Large exposures

Whilst these figures relate to the financial year end, your *credit union* will need to look at large *exposure* requirements when issuing loans. For example, a large *exposure* is defined as any individual net liability which is at least £7,500 and at least 10% of the value of the *credit union's* capital.

31A Largest net exposure

A *credit union* should report its largest large net *exposure*. To work out your *credit union's* largest large net *exposure* you will need to determine:

1. the net *exposure* on each loan and find the largest figure. The formula for this is:

   (loan balance + interest owing) – attached share balance

2. what is the total capital of your *credit union*? This is defined at **2S** of CY or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at 45C on the supplementary analysis of the CY.

Say, for example your *credit union's* total capital is £40,000. We know from the above that only net liabilities over 10% of Capital are subject to the large *exposures* rule. Ten percent of £40,000 is £4,000.

However, we further know from the above that only net liabilities over £7,500 are subject to the large *exposures* rule. Below we see all net *exposures* over 10% of total capital and those that do and do not qualify:

Member number	**Share balance**	**Loan balance + interest owing**	**Net liabilities**	**Is it a large *exposure*?**
150	£3,125	£12,500	£9,375	YES
152	£1,750	£10,000	£8,250	YES
103				

		£3,115 £12,002 £8,887 YES 462 £2,500 £6,700 £4,200 No 204 £2,138 £7,911 £5,773 YES 109 £4,000 £8,500 £4,500 No As we can see the largest net *exposure* is that of **member 150** and it is **£9,375**.
31B	As % of capital	An individual large exposure should not exceed **25%** of your *credit union's* capital (*CREDS* 7.4.2R). To determine this percentage, your *credit union* will need to use the following calculation: Largest net *exposure* (**31A**) X 100 Total capital (**2S** or **45C**) 1 So: £9,375 X 100

=

23.44%

£40,000

1

31C **Aggregate total of large net *exposures***

This figure relates to the sum total of all net liabilities subject to the large *exposure* rule as defined in **31A** above.

Taking the example at **31A** above, this figure will be £35,285 (see below).

Member number	**Share balance**	**Loan balance + interest owing**	**Net liabilities**
150	£3,125	£12,500	£9,375
152	£1,750	£10,000	£8,250
103	£3,115	£12,002	£8,887
204	£2,138	£10,911	£8,773
Totals	**£10,128**	**£45,413**	**£35,285**

31D **As % of capital**

CREDS states that the aggregate total of large net *exposures* must not exceed 500% of the total capital of the *credit union*, and must not exceed 300% of total capital without prior notifying the PRA. To see if the example satisfies the rules please use the following calculation:

Aggregate total of large net *exposure* (**31C**)

X

100

Total capital (**2S** or **45C**)

1

So:

£35,285

X

100

=

88.21%

£40,000

1

Please note that risk adjusted capital should not be used for the purposes of calculating your large *exposures*. For all *credit unions* the total capital figure used here should be the same as box **2S** of CY or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **45C** on the supplementary analysis of the CY.

Large version 1 and version 2 credit unions

	Risk adjusted capital ratio	A risk adjusted capital ratio is a requirement for larger *version 1 and version 2 credit unions* under *CREDS*. *CREDS* 5.3.15R states "A *version 1 credit union* with total assets of more than £10 million and/or a total number of members of more than 10,000 must maintain at all times a risk-adjusted capital to total assets ratio of at least 8%".
32A	Total capital	The figure for capital will be the figure that appears on the balance sheet at **2S** of CY or, where a *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **45C** on the supplementary analysis of the CY.

32B	Net excess provision or 1% of total assets whichever is the lower	Capital should be risk-adjusted for *version 2 credit unions* and large *version 1 credit unions* (*CREDS* 5.4.1R and *CREDS* 5.3.15R). The maximum net figure for provisions that may be included in calculating risk-adjusted capital is 1% of total assets (*CREDS* 5.4.2R). Net provisions are those provisions your *credit union* has made minus minimum specific provisions. In other words: Provision minus 100% of net liabilities on loans which are 12 months or more in arrears minus 35% of net liabilities on loans 3-12 months in arrears = **Net provisions** This figure is calculated by using the following calculation: **Arrears Analysis** **Number** **Net Liabilities** 3 months to 12 months **A** £ Over 12 months **B** £ **Total arrears** **C = A+B** **£**

The above arrears are based on net liabilities

Minimum specific provision

£

35% of **<u>A</u>** (arrears - 3 months to 12 month)

100% of **<u>B</u>** (arrears over 12 months)

<u>D</u>

Total minimum specific provision

Actual specific provision for doubtful debt
(as at **1H**)

Actual general provision for doubtful debt
(as at **1G**)

<u>E</u>

Total actual provisions

Total minimum specific provision (**<u>D</u>**)

( )

F

Net provisions

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

G

1% of total assets

The figure that needs to be posted onto the Annual Return (CY) is the lesser of **F** and **G**. If this is a negative figure, the figure that appears on the Annual Return (CY) need to be a negative figure.

A worked example is given on the next page.

Example

Arrears Analysis

Number

Net Liabilities

3 months to 12 months

A

5

£28,000

Over 12 months

B

10

£67,000

Total arrears

C = A+B

15

£95,000

The above arrears are based on net liabilities

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

9,800

100% of **B** (arrears over 12 months)

67,000

D

Total minimum specific provision

76,800

Actual specific provision for doubtful debt
(as at **1H**)

70,000

Actual general provision for doubtful debt
(as at **1G**)

10,000

E

Total actual provisions

80,000

Total minimum specific provision (**D**)

(76,800)

E

Net provisions

3,200

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

1,120,000

G

1% of total assets

11,200

So the figure to be posted onto the Annual Return (CY) at **32B** is **£3,200**

32C	Total risk adjusted capital	This figure is the sum total of boxes **32A-32B**.
32D	Total assets	This is the same as box **1P** of CY or **41E** of the supplementary analysis of the CY.
32E	Risk adjusted capital ratio	To determine the risk adjusted capital ratio, your *credit union* will use the following formula:

Total risk adjusted capital

X

100

Total assets

1

Auditor’s statement

This statement that the information in the Annual Return (CY) has been completely and accurately extracted from the annual audited accounts of the *credit union* should be completed by the *credit union’s* auditor. It is important to note that the *credit union* remains responsible for the completion of the Annual Return (CY).

Committee of Management

Please complete the relevant details for all *credit union* officers here. The details required are their full name, address, post held at the *credit union* (this should include what committee they sit on), whether they are an *approved person*, their approved person function, and their year of birth.

Whilst a brief list of the main controlled functions are given below, *credit unions* will need to refer to *CREDS* Chapter 2 (Senior management arrangements, Systems and Controls) and *SUP* 10. Please note that only the controlled function number needs to be inserted: for example if you are on the *credit union's* committee of management the number would be CF1.

The governing functions of a *credit union* are:

CF1: The Directors function;

CF2: The non-executive director function; and

CF3: The chief executive function.

The required functions of a *credit union* are:

CF8: The apportionment and oversight function; and

CF11: The money laundering reporting function.

The system and controls functions of a *credit union* are:

CF13: The finance function;

CF14: The risk assessment function; and

CF15: The internal audit function.

NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE ANNUAL RETURN

General Information

A *credit union* should complete the relevant sections of the supplementary analysis of the annual return (CY) for *credit unions* if any of the following conditions apply:

- the *Great Britain credit union* has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the *Great Britain credit union* has issued *deferred shares* in accordance with section 31A of the Act;
- the *Great Britain credit union* has admitted corporate members under section 5A of the Act;
- the rules of the *Great Britain credit union* limit the number of non-qualifying members, in accordance with section 5(5) of the Act; or
- the *credit union* has revaluation reserves form the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CY should be completed as follows:

- Sections 33 – 40 should be completed by a *Great Britain credit union* that has
    - issued interest-bearing shares,
    - issued deferred shares,
    - admitted corporate members or
    - limited the number of non-qualifying members of the *credit union* in its rules.

    - These sections are intended to break down some of the information contained in the CY in order to give a clearer picture of the financial position of *Great Britain credit unions* that undertake these activities.

    - Where a *credit union* issues interest bearing shares, its auditor should submit a report to the *PRA* stating whether, in their opinion, the *credit union* has satisfied the conditions specified by the *PRA* for the purpose of section 7A of the Credit Unions Act 1979.

    - The Credit Unions (Northern Ireland Order) 1985 does not provide for *Northern Ireland credit unions* to undertake these activities, so they do not need to complete sections 33 – 40.

- Sections 41 – 46 should be completed by a *Great Britain credit union* that has issued *deferred shares* or that has revaluation reserves. Sections 41 and 44 – 46 should be completed by a *Northern Ireland credit union* that has revaluation reserves.

    - Sections 41 – 46 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and revaluation reserves. Adjusted reserves amounts at 42E and 43A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 45C and 46A are used to determine whether a *credit union* meets the capital requirements in *CREDS*.

Interest-bearing shares

Interest-bearing shares

33A	Members' share balances	The total amount of money held by the *credit union* in respect of member shares. The amount entered here should be transferred

		from **2T** on CY for analysis. In the following sections, this amount should be broken down into interest-bearing and dividend-bearing shares so that: **33A = 33B + 33C**
33B	Interest-bearing shares	The total amount of money held by the *credit union* in respect of shares that are interest-bearing.
33C	Dividend-bearing shares	The total amount of money held by the *credit union* in respect of shares that are dividend-bearing.

Interest expenditure

34A	Expenditure – Other	The credit union's expenditure that is not covered in the listed categories of expenditure at 4A-4N on the CY. The amount entered here should be transferred from **4P** on CY for analysis. In the following sections, this amount should be broken down into interest expenditure and non-interest expenditure so that: **34A = 34B + 34C**.
34B	Interest expenditure	The total amount of expenditure – other that is interest payable by the *credit union* on interest-bearing shares.
34C	Non-interest expenditure	The total amount of expenditure – other that is not interest payable by the *credit union* on interest-bearing shares.

Deferred shares

Deferred shares

35A	Members' share balances	The total amount of money held by the *credit union* in respect of member shares. The amount entered here should be transferred from **2T** on CY for analysis. In the following sections, this amount should be broken down into non-deferred shares and *deferred shares* so that: **35A = 35B + 35C**
35B	Non-deferred shares	The total amount of money held by the *credit union* in respect of non-deferred shares.
35C	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*.

Corporate membership

Corporate members

36A	Total members	Total number of members of the *credit union*.

		The amount entered here should be transferred from **12D** on CY for analysis. In the following sections, this amount should be broken down into different categories of member so that: **36A = 36B + 36C + 36D + 36E**
36B	Individual members	The number of members of the *credit union* that are individuals.
36C	Body corporate members	The number of members of the *credit union* that are *bodies corporate*.
36D	Partnership members	The number of members of the *credit union* that are partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
36E	Unincorporated association members	The number of members of the *credit union* that are unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

37A	Non-deferred shares	The total amount of money held by the *credit union* in respect of shares that are not deferred shares. The amount entered here should be equal to the amount at **35B** above. In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that: **37A = 37B + 37C + 37D + 37E**
37B	Individual non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by individuals.
37C	Body corporate non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by *bodies corporate*.
37D	Partnership non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
37E	Unincorporated association non-deferred shares	The total amount held by the *credit union* in respect of non-deferred shares held by unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

38A	Deferred shares	The total amount of money held by the *credit union* in respect of *deferred shares*. This should be equal to the amount at **35C**. In the following sections, this amount should be broken down into *deferred shares* held by different categories of member so that: **38A = 38B + 38C + 38D + 38E**
38B	Individual deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by individuals.
38C	Body corporate deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by *bodies corporate*.
38D	Partnership deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
38E	Unincorporated association deferred shares	The total amount held by the *credit union* in respect of *deferred shares* held by unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

39A	Due from members for loans – Secured	The total amount outstanding to the *credit union* on secured loans to members e.g. loans secured on shares or property. The amount entered here should be transferred from **1E** on CY for analysis.
39B	Due from members for loans – Unsecured	The total amount outstanding to the *credit union* on unsecured loans to members. This figure will exclude any loans written off during the financial year. The amount entered here should be transferred from **1F** on CY for analysis.
39C	Total loans	The total amount outstanding to the *credit union* on all loans to members, whether secured or unsecured, so that: **39C = 39A + 39B** In the following sections, this amount should be broken down into loans to different categories of member so that:

		39C = 39D + 39E + 39F + 39G
39D	Individual loans	The total amount outstanding to the *credit union* on loans to individuals.
39E	Body corporate loans	The total amount outstanding to the *credit union* on loans to *bodies corporate*.
39F	Partnership loans	The total amount outstanding to the *credit union* on loans to partnerships. Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.
39G	Unincorporated association loans	The total amount outstanding to the *credit union* on loans to unincorporated associations. Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Non-qualifying membership

40A	Limit on non-qualifying members	If the rules of the *credit union* provide a limit on the number of non-qualifying members of a *credit union*, that amount should be entered here. Non-qualifying members are members who no longer fulfil the membership qualifications, having once done so e.g. he or she no longer lives in the common bond area.

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued fixed and total assets

41A	Fixed assets	The book value of any property the *credit union* owns, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from **1A** on CY.
41B	Revaluation amount	The amount by which the property fixed assets the *credit union* owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.
41C	Re-valued fixed assets	The current market values of the property fixed assets the *credit union* owns, including any amount for the upward revaluation of property fixed assets. so that: **41C = 41A + 41B**
41D	Total assets	The value of total assets of the *credit union*, excluding any amount for the upward revaluation of

		property fixed assets. The amount entered here should be transferred from **1P** on CY.
41E	Re-valued total assets	The current market value of total assets of the *credit union*, including any amount for the upward revaluation of property fixed assets, so that **41E = 41B + 41D** This amount will be used to determine which *CREDS* capital requirements apply to a *credit union*.

Adjusted reserves - total

42A	General reserves	The total amount held by the *Great Britain credit union* in general reserves at the end of the financial year. The amount entered here should be transferred from **2N** on CY.
42B	Other reserves	The total amount of money held by the *Great Britain credit union* in other reserves at the end of the financial year. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **2P** on CY.
42C	Revaluation reserves	The amount of revaluation reserves held by the *Great Britain credit union*, arising from the differences between current market values and the book values of the property fixed assets.
42D	Deferred share reserves	The total amount held by the *Great Britain credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves.
42E	Adjusted reserves	The total amount of money held by the *Great Britain credit union* in reserves (including revaluation reserves and deferred share reserves), so that: **42E = 42A + 42B + 42C + 42D** This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Adjusted reserves - percentage

43A	Adjusted reserves as % of re-valued total assets	To determine this ratio the *Great Britain credit union* should use the following formula: Adjusted reserves (**42E**) X 100

		/
		Re-valued total assets (**41E**) This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares ender section 7A of the Act.

Revaluation reserves – CREDS capital element

44A	Total capital	The total amount held by the *credit union* as capital in the form of general reserves, other reserves and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from **2S** on CY.
44B	Deferred share reserves	The total amount held by the *credit union* in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, *Great Britain credit unions* must transfer a sum equal to the amount paid for *deferred shares* to its reserves. For *Northern Ireland credit unions*, the amount entered here will be nil.
44C	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves so that: **44C = 44A + 44B**
44D	1/3 of (Total capital and deferred share reserves)	To determine this amount the *credit union* should use the following formula: 1 X Total capital and deferred share reserves (**44C**) / 3
44E	Revaluation reserves	The amount of revaluation reserves held by the *credit union* that meets the requirements in *CREDS* 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.
44F	Revaluation reserves – CREDS capital element	The amount of revaluation reserves that meets the limits in *CREDS* 5.2.1(6) to (8) and so can be included in capital. *CREDS* 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the total of audited reserves, interim net profits, *deferred shares*, subordinated debt, initial capital and revaluation reserves. The simplest way of reporting this amount accurately is to calculate an equivalent amount. An

		equivalent amount is a third of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and *deferred shares*, which is the amount at **44D**. So the amount that can be included in capital for the purpose of meeting the *CREDS* capital requirements will be equal to either **44D** or **44E** above, whichever is the lower.

Adjusted capital – total

45A	Total capital and deferred share reserves	The total amount held by the *credit union* in total capital and deferred share reserves. This amount should be equal to **44C** above.
45B	Revaluation reserves – CREDS capital element	The amount of revaluation reserves that can be included in capital for the purpose of meeting the *CREDS* capital requirements. This amount should be equal to **44F** above.
45C	Adjusted capital	The sum of total capital, deferred share reserves and the *CREDS* capital element of revaluation reserves so that: **45C = 45A + 45B** This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

Adjusted capital – percentage

46B	Adjusted capital as % of re-valued fixed assets	To determine this ratio the *credit union* should use the following formula: Adjusted capital (**45C**) X 100 / Re-valued fixed assets (**41E**) This amount will be used to determine whether a *credit union* meets the *CREDS* capital requirements.

PRUDENT VALUATION RETURN

This data item provides the *appropriate regulator* with a point-in-time estimate of the valuation uncertainty around a *firm's* fair-value positions in the context of the size and risk of its positions. The value of the positions at the downside end of the spread of valuation uncertainty will be equivalent to the prudent valuation of the *firm's* positions as determined using the *rules* laid out in articles 24, 34 and 105 of the *EU CRR*.

The fair values of financial instruments are represented as point estimates for the purpose of the primary financial statements. However, at the balance sheet (B/S) date it is likely that there will be a range of plausible estimates of the valuation of many financial instruments. The choice of a point estimate is influenced by a range of factors including different market data points and valuation methodologies. This range will change over time and will tend to widen for markets that are less liquid or lack transparency.

Valuation

Firms should follow their normal accounting practice wherever possible when reporting the gross and net B/S.

Consolidation

When reporting on a *UK consolidation group* basis, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in the currency of their annual audited accounts e.g. Sterling, Euro, US Dollars, Canadian Dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

Prudent Valuation Return

Column A-C Gross B/S Assets, Gross B/S Liabilities and Net B/S

The gross B/S assets, gross B/S liabilities and net B/S are the raw figures extracted from the front office systems, after fair value adjustments and adjustments taken following independent price verification, rather than the B/S amounts that would be produced under IFRS. They nevertheless allow a completeness check by reconciling back to the total fair-value positions on the B/S as set out in the 'Reconciliation to Financial Statements' table. Both assets and liabilities are input as positive balances.

The gross B/S figures give a sense of the overall size of the positions, as large uncertainty and/or VaR figures may otherwise appear inconsistent if the net B/S is small.

Column D 1-Day 99% VaR Equivalent

The VaR equivalent measure is used in the return to indicate the relative market risk in different *firms* and portfolios and to provide important context to the valuation uncertainty measures. However, as this includes risks not in VaR and VaR on non-Trading Book positions for which the fair-value option has been chosen, it will not be directly reconcilable to the market risk measures shown in financial statements or the regulatory VaR.

The split of the VaR equivalent measure between the different asset classes may be on an approximate basis due to the difficulty in fairly distributing the diversification benefit gained from trading across those asset classes.

In certain cases, e.g. non-Trading Book positions for which no VaR is currently produced, it may be allowable for a firm to use an alternative metric to VaR while still estimating the 1 day loss which is expected to occur on no more than 1% of days. If a *firm* wishes to use an alternative metric, it must be requested and agreed with the *appropriate regulator*.

Column E/F Downside/Upside Valuation Uncertainty

Prudent valuation will constitute an assessment at a risk parameter/product level of the upper and lower ends of the range of plausible valuations at a defined confidence interval (e.g. 90th percentile) based on the judgment of management. This represents the uncertainty of the valuations on the B/S date taking into account all available market data and based on market conditions at the B/S date, using valuation methods which could reasonably be deemed appropriate for each asset or class of assets. It requires a comprehensive view of the possible valuation range for the whole product and portfolio, including the impact of different valuation techniques and models.

The ‘Downside Valuation Uncertainty’ in the return represents the amount by which the correct fair value might be lower than the ‘Net B/S’ figure supplied (that is, there is 90% confidence (or alternative confidence interval defined by the *firm*) that the actual value is greater than the ‘Net B/S’ less the ‘Downside Valuation Uncertainty’). The ‘Upside Valuation Uncertainty’ similarly represents the amount by which the correct fair value might be higher than the ‘Net B/S’ figure supplied (that is, there is 90% confidence (or alternative confidence interval defined by the *firm*) that the actual value is lower than the ‘Net B/S’ plus the ‘Upside Valuation Uncertainty’).

The prudent valuation assessment is not constrained by accounting standards. For example, the uncertainty created by large concentrated positions will be reflected in the return, whereas concentration adjustments to Level 1 positions are not allowed by accounting standards.

The uncertainty estimates at asset class level may include a diversification benefit rather than simply summing the uncertainty for each position. There is currently no formal policy on the aggregation of prudent valuation by asset class; hence *firms* should determine an approach to be assessed by the *appropriate regulator* for reasonableness.

Column G Explanation

There are a number of rows where the *firm* has a choice of whether and how many rows to add. In this case, a short description of the row will be required and this should be included in column G.

Row 1-12 Asset Class Granularity

The asset class granularity selected for the main part of the table is to avoid making the return unduly lengthy or confusing. Where particularly significant, any additional disclosures should occur through narrative tied to the ‘Portfolios of Particular Interest’ in row 25.

The split between ‘Exotic’ and ‘Vanilla’ positions is defined in the same way that products are categorised for the purposes of CAD2 recognition. The definition of a portfolio type is based on the regulatory classes for CAD2 recognition, split by asset class.

‘Vanilla’ positions are the following positions:

• linear products, which comprise *securities* with linear pay-offs (e.g., bonds and *equities*) and *derivative* products which have linear pay-offs in the underlying risk factor (e.g., interest rate *swaps*, *FRAs*, total return *swaps*);

• European, American and Bermudan put and call options (including caps, floors and swaptions) and investment with these features.

All other fair-valued positions are included within the ‘Exotic’ portfolios.

This delineation corresponds to the way in which the instruments are traded. Where a portfolio is disclosed as ‘Exotic’, it may also include vanilla hedges. Although a traded portfolio should normally not be split between ‘Vanilla’ and ‘Exotic’ or between two asset classes, where a portfolio includes significant positions of a type that would normally be reported in an alternative classification and are not present to hedge other products in the portfolio, these positions should be included within that other classification.

Row 13-14 CVA and DVA

CVA and DVA are adjustments that may be made at a *firm* rather than portfolio level. Consequently, the B/S and valuation uncertainty figures may be reported on a separate line.

Row 15 Other Portfolios

There may be other cross-portfolio fair-value reserves or other portfolios not represented in rows 1-14. Additional lines should be included for each of these numbered 1 to n as shown. The figures for columns A-F should be included as for rows 1-14 and a short description of the portfolio included in column G.

Row 16 Aggregate Portfolios Included

The sum of the B/S and valuation uncertainty figures in columns A-C and E-F from rows 1-15.

Row 17 Less Diversification Benefit

The uncertainty assessments disclosed by asset class are the sum of the uncertainty measures calculated at a risk parameter/product level, before allowing for diversification/correlation benefits. As a result the sum of the individual portfolio valuation uncertainty estimates will not necessarily reflect the aggregate-level valuation uncertainty the *firm* faces at the B/S date as this does not allow for diversification benefits that will invariably exist. The diversification benefit represents the total benefit taken between portfolios when summing up for the regulatory Prudent Valuation Return. There is currently no formal policy on the *firm*-wide aggregation of prudent valuation; hence *firms* should determine an approach that would be assessed by the *appropriate regulator* for reasonableness.

Row 18 Total

The ‘Aggregate Portfolios Included’ from row 16 less the ‘Diversification Benefit’ from row 17.

Row 19 Portfolios Excluded due to Extreme Valuation Subjectivity

The ‘Portfolios Excluded’ section allows *firms* to scope out those portfolios where they feel that there is an absence of market data or there is some other reason why it is not possible to ascertain the plausible range of valuations with any confidence. This can be due to a one-way market in which there is limited ability to exit positions that have been entered into (e.g. PRDCs), although there may be other reasons. This portion of the disclosure is important as it clearly identifies portfolios for which there is extreme valuation subjectivity. For these portfolios, it may not be possible or meaningful to disclose VaR figures, but the gross and net B/S positions being disclosed impart important information to the users of the accounts. The *firm* should therefore propose a suitable regulatory prudent valuation adjustment that would not benefit from diversification and will be assessed for reasonableness by the *appropriate regulator*.

Additional lines should be added here for each of these portfolios numbered 1 to n as shown. A short description of the portfolio should be included in column G.

Row 20 Total Portfolios Excluded

The sum of all excluded portfolios from row 19.

Row 21 Total Value of Fair-Valued Portfolios

The sum of the gross B/S and net B/S figures in columns A-C from row 18 and row 20.

Row 22 Total Downside Valuation Uncertainty

The sum of the downside valuation uncertainty in column E from row 18 and row 20.

Row 23 Less Regulatory Capital Offsets

The ‘Total Downside Valuation Uncertainty’ from row 22 shows the total difference between using the accounting fair value and the regulatory prudent value for valuations of all fair-valued financial instruments positions on the B/S. In order to arrive at the net adjustment to regulatory capital that would occur from using fair value instead of prudent value, there may be several offsets that need to be taken into account. These may include, for example, the reduction in the tax liability that would occur on adjusting the valuations in the B/S and therefore reducing P&L, regulatory capital adjustments that are already taken for elements of valuation uncertainty or situations where the capital requirement for a position is already at a level such that a prudent valuation adjustment would imply a capitalisation of more than 100%.

Additional lines should be added here for each of these types of offset numbered 1 to n as shown. A short description of each type of offset should be included in column G.

Row 24 Prudent Valuation Adjustment

The ‘Total Downside Valuation Uncertainty’ from row 22 less the ‘Regulatory Capital Offsets’ from row 23.

Row 25 Portfolios of Particular Interest

The ‘Portfolios of Particular Interest’ section allows specific disclosures for portfolios where there is a general market interest at any particular time (as there has been with ABS and monoline positions previously) and also allows *firms* the discretion to identify those portfolios that they feel constitute significant proportions of the valuation uncertainty disclosed for the asset classes (e.g. CVAs). The responsibility for ensuring the appropriate selection of portfolios and the appropriateness of the disclosure for each of these portfolios rests with senior management of the *firms*. These portfolios form a subset of the information previously provided by asset class, rather than being in addition to the uncertainty disclosed by asset class.

Additional lines should be added for each of these portfolios numbered 1 to n as shown. The figures for columns A-F should be included as for rows 1-14 and a short description of the portfolio included in column G.

Reconciliation to Financial Statements

Row 26 Total Value of Fair-Valued Portfolios

The ‘Total Value of Fair-Valued Portfolios’ is copied directly from row 21 for columns A-C.

Row 27 Reconciliation to Financial Statements Amounts

There may be a number of reasons for differences between the gross and net B/S figures taken from front office systems, after fair value adjustments and adjustments taken following independent price verification, that were used in the valuation uncertainty disclosure and the gross and net B/S figures in the financial statements. The *firm* should report the reconciliation amounts and briefly state the reason for the difference. An additional line should be included for each major class of reason, for example, netting of internal trades or counterparty netting agreements.

Row 28 Fair-Valued Portfolios per Financial Statements

The sum of the 'Total Value of Fair-Valued Portfolios' in row 26 and the differences to the financial statements shown in row 27. The figures for 'Gross B/S Assets', 'Gross B/S Liabilities' and 'Net B/S' (columns A-C) should equal the total fair-valued assets and liabilities in the *firm's* financial statements.

Row 29 Definitions of Portfolio Type

This is a narrative box which allows the *firm* to define the positions that are included in certain portfolios, e.g. Emerging Markets, Hybrid Instruments or Other Portfolios the *firms* has chosen to disclose in row 15.

Row 30 Portfolios Subject to Valuation Uncertainty Assessment

This is a narrative box allowing *firms* to choose to provide some narrative such as outlining the most material methodologies that underlie a significant proportion of the calculation of valuation uncertainty.

Row 31 Portfolios Excluded due to Extreme Valuation Subjectivity

This is a narrative box which allows the *firm* to provide details of each 'Portfolio Excluded due to Extreme Valuation Subjectivity' the *firm* has chosen to disclose in row 19. Information provided should include, but not necessarily be limited to, a description of the products and why an effective assessment of valuation uncertainty cannot be performed, details of the extent to which the portfolio is classified as AFS or fair-value option in the Banking Book and a historical description of how the portfolio was built up together with a description of what the strategy is for the portfolio for the future (e.g. whether there is still new trading or whether this is a legacy portfolio being sold off over time).

Row 32 Portfolios of Particular Interest

This is a narrative box which allows the *firm* to provide details of each 'Portfolio of Particular Interest' the *firm* has chosen to disclose in row 25. Information provided should include, but not necessarily be limited to, a description of the products, details of the extent to which the portfolio is classified as AFS or fair-value option in the Banking Book, why it is of particular interest, the basis of the methodology used to calculate the uncertainty and a historical description of how the portfolio was built up together with a description of what the strategy is for the portfolio for the future (e.g. whether there is still new trading or whether this is a legacy portfolio being sold off over time).

Row 33 Reporting Currency

This is a box in which the *firm* should declare the reporting currency used.

Internal Validations

Validation Number	Data Element		Data Element(s)
1	1C	=	1A-1B
2	2C	=	2A-2B
3	3C	=	3A-3B
4	4C	=	4A-4B
5	5C	=	5A-5B
6	6C	=	6A-6B
7	7C	=	7A-7B
8	8C	=	8A-8B
9	9C	=	9A-9B
10	10C	=	10A-10B
11	11C	=	11A-11B
12	12C	=	12A-12B
13	13C	=	13A-13B
14	14C	=	14A-14B
15	15C	=	15A-15B
16	16A	=	1A+2A+3A+4A+5A+6A+7A+8A+9A+10A+11A+ 12A+13A+14A+Sum(15A)
17	16B	=	1B+2B+3B+4B+5B+6B+7B+8B+9B+10B+11B+ 12B+13B+14B+Sum(15B)
18	16C	=	16A-16B
19	16E	=	1E+2E+3E+4E+5E+6E+7E+8E+9E+10E+11E+ 12E+13E+14E+Sum(15E)
20	16F	=	1F+2F+3F+4F+5F+6F+7F+8F+9F+10F+11F+12F+ 13F+14F+Sum(15F)
21	18A	=	16A
22	18B	=	16B
23	18C	=	18A-18B
24	18E	=	16E-17E
25	18F	=	16F-17F
26	19C	=	19A-19B
27	20A	=	Sum(19A)
28	20B	=	Sum(19B)
29	20C	=	20A-20B
30	20E	=	Sum(19E)
31	21A	=	18A+20A
32	21B	=	18B+20B
33	21C	=	21A-21B

34	22E	=	18E+20E
35	24E	=	22E-Sum(23E)
36	25C	=	25A-25B
37	26A	=	21A
38	26B	=	21B
39	26C	=	26A-26B
40	27C	=	27A-27B
41	28A	=	26A+Sum(27A)
42	28B	=	26B+Sum(27B)
43	28C	=	28A-28B

External Validations

There are no external validations for this data item.