FSA 2001/38

SUPERVISION MANUAL (AMENDMENT NO 2) INSTRUMENT 2001

Powers exercised

A. The Financial Services Authority alters the Supervision manual in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the "Act"):

(1) section 59 (Approved persons)

(2) section 138 (General rule-making powers);

(3) Section 156 (General supplementary powers);

(4) section 157(1) (Guidance);

(5) section 340 (Appointment);

(6) paragraph 19 of Schedule 3 (EEA Passport Rights: Establishment);

(7) paragraph 20 of Schedule 3 (EEA Passport Rights: Services).

B. The provisions of the Act listed above (other than section 157(1)) are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

C. This instrument comes into force as follows:

(1) the provisions in Annexes A, B, C and D to this instrument: at the beginning of the day on which section 19 of the Act (The general prohibition) comes into force;

(2) the remainder of this instrument: immediately.

Amendment of the Supervision manual

D. SUP is amended as follows:

(1) after SUP 4, insert the provisions in Annex A to this instrument;

(2) after SUP 12, insert the provisions in Annex B to this instrument;

(3) after SUP 15.7, insert the provisions in Annex C to this instrument;

(4) in SUP 16, insert the provisions in Annex D to this instrument;

(5) SUP is amended in accordance with Annex E to this instrument.

Citation

E. This instrument may be cited as the Supervision Manual (Amendment No 2) Instrument 2001.

By order of the Board
20 September 2001

ANNEX A

Chapter 5

Reports by skilled persons

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5.1 Application and purpose

Application

5.1.1 R /1

(1) This chapter applies to every *firm*.

(2) The *rules*, and the *guidance* on *rules* in *SUP* 5.5 (Duties of firms), do not apply to a *UCITS qualifier*.

5.1.2 G /1

This chapter (other than the *rules*, and *guidance* on *rules*, in *SUP* 5.5 (Duties of firms)) is also relevant to certain unauthorised *persons* within the scope of section 166 of the *Act* (Reports by skilled persons) (see *SUP* 5.2.1G).

Purpose

5.1.3 G /1

The purpose of this chapter is to give *guidance* on the *FSA's* use of the power in section 166 of the *Act* (Reports by skilled persons). The purpose is also to make *rules* requiring a *firm* to include certain provisions in its contract with a *skilled person* and to give assistance to a *skilled person*. These *rules* are designed to ensure that the *FSA* receives certain information from a *skilled person* and that a *skilled person* receives assistance from a *firm*.

5.2 The FSA's power

Who may be required to provide a report?

5.2.1 G /1 Under section 166 of the *Act* (Reports by skilled persons), the *FSA* may, by giving a written notice, require any of the following *persons* to provide it with a report by a *skilled person*:

(1) a *firm*;

(2) any other *member* of the *firm's group*;

(3) a *partnership* of which the *firm* is a *member*;

(4) a *person* who has at any relevant time been a *person* falling within (1), (2) or (3);

but only if the *person* is, or was at the relevant time, carrying on a business.

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5.3 Policy on the use of skilled persons

5.3.1 G /1

The appointment of a *skilled person* to produce a report under section 166 of the *Act* (Reports by skilled persons) is one of the *FSA's* regulatory tools. The tool may be used:

(1) for diagnostic purposes, to identify, assess and measure risks;

(2) for monitoring purposes, to track the development of identified risks, wherever these arise;

(3) in the context of preventative action, to limit or reduce identified risks and so prevent them from crystallising or increasing; and

(4) for remedial action, to respond to risks when they have crystallised.

SUP 5 Ann 1G gives examples of circumstances in which the *FSA* may use the *skilled persons* tool.

5.3.2 G /1

The decision to require a report by a *skilled person* will normally be prompted by a specific requirement for information, analysis of information, assessment of a situation or expert advice or recommendations. It will usually be part of the risk mitigation programme applicable to a *firm*, or the result of an event or development relating or relevant to a *firm*, or prompted by a need for verification of information provided to the *FSA*.

5.3.3 G /1

When making the decision to require a report by a *skilled person*, the *FSA* will have regard, on a case-by-case basis, to all relevant factors. Those are likely to include:

(1) circumstances relating to the *firm;*

(2) alternative tools available, including other statutory powers;

(3) legal and procedural considerations;

(4) the objectives of the *FSA's* enquiries;

(5) cost considerations; and

(6) considerations relating to *FSA* resources.

SUP 5.3.4G to *SUP* 5.3.10G give further guidance on these listed factors.

5.3.4 G /1

Circumstances relating to the firm

The *FSA* will have regard to circumstances relating to the *firm*, for example:

(1) attitude of the *firm*: whether the *firm* is being cooperative;

(2) history of similar issues: whether similar issues have arisen in the past and, if so, whether timely corrective action was taken;

(3) quality of a *firm's* systems and records: whether the *FSA* has confidence that the *firm* has the ability to provide the required information;

(4) objectivity: whether the *FSA* has confidence in the *firm's* willingness and ability to deliver an objective report;

(5) conflicts of interest: whether the subject matter of the enquiries or the report involves actual or potential misconduct and it would be inappropriate for the *FSA* to rely on the *firm* itself to enquire into the matter; and

(6) knowledge or expertise available to the *firm*: whether it would be appropriate to involve a third party with the required technical expertise.

Alternative tools available, including other statutory powers

5.3.5 G /1 The *FSA* will have regard to alternative tools that may be available, including for example:

(1) obtaining what is required without using specific statutory powers (for example, by a visit by *FSA* staff or a request for information on an informal basis);

(2) requiring information from *firms* and others, including authorising an agent to require information, under section 165 of the *Act* (Authority's power to require information);

(3) appointing investigators to carry out general investigations under section 167 of the *Act* (Appointment of persons to carry out general investigations) (see *ENF* 2.5 for the *FSA's* policy on the use of this power); and

(4) appointing investigators to carry out investigations in particular cases under section 168 of the *Act* (Appointment of persons to carry out investigations in particular cases) (see *ENF* 2.5 for the *FSA's* policy on the use of this power).

Legal and procedural considerations

5.3.6 G /1 The *FSA* will have regard to legal and procedural considerations including:

(1) statutory powers: whether one of the other available statutory powers is more appropriate for the purpose than the power in section 166 of the *Act* (Reports by skilled persons);

(2) subsequent proceedings: whether it is desirable to obtain an authoritative and independent report for use in any subsequent proceedings; and

(3) application of the *Handbook rules*: whether it is important that the relevant *rules* in the *Handbook* should apply, for example *SUP* 5.5.1R which obliges the *firm* to require and permit the skilled person to report specified matters to the *FSA*.

The objectives of the FSA's enquiries

5.3.7 G /1 The *FSA* will have regard to the objectives of its enquiries, and the relative effectiveness of its available powers to achieve those objectives. For example:

(1) historic information or evidence: if the objectives are limited to gathering historic information, or evidence for determining whether enforcement action may be appropriate, the *FSA's* information gathering and investigation powers under sections 165 (Authority's power to require information), 167 (Appointment of persons to carry out general investigations) and 168 (Appointment of persons to carry out investigations in particular cases) of the *Act* are likely to be more appropriate than the section 166 power (Reports by skilled persons); and

(2) expert analysis or recommendations: if the objectives include obtaining expert analysis or recommendations (or both) for diagnostic, monitoring, preventative or remedial purposes, the section 166 power (Reports by skilled persons) may be an appropriate power to use, instead of, or in conjunction with, the *FSA's* other available powers.

Cost considerations

5.3.8 G /1 In accordance with its general policy the *FSA* will have regard to the question of cost, which is particularly pertinent in relation to *skilled persons* because:

(1) if the *FSA* uses the section 166 power (Reports by skilled persons) the *firm* will appoint, and will have to pay for the services of, the *skilled person*;

(2) if the *FSA* uses its other information gathering and investigation powers, it will either authorise or appoint its own staff to undertake the information gathering or investigation (or both), or it will pay for the services of external competent persons to do so; in either case the costs will be recovered under the FSA's general fee scheme.

5.3.9 G /1 In having regard to the cost implications of using the section 166 power (Reports by skilled persons) alternative options (such as visits) or other powers, the *FSA* will take into account relevant factors, including:

(1) whether the *firm* may derive some benefit from the work carried out and recommendations made by the *skilled person*, for instance a better understanding of its business and its risk profile, or the operation of its information systems, or improvements to its systems and controls;

(2) whether the work to be carried out by the *skilled person* is work that should reasonably have been carried out by the *firm*, or by persons instructed by the *firm* on its own initiative; for instance a compliance review or the development of new systems;

(3) whether the *firm's* record-keeping and management information systems are poor and:

(a) the required information and *documents* are not readily available; or

(b) an analysis of the required information cannot readily be performed without expert assistance;

(4) whether the *firm* appears to have breached requirements or standards under the *regulatory system* or otherwise put the interests of consumers at risk, and it is unable or unwilling to review and remedy the matters of concern, or the *FSA* considers that it cannot rely on the *firm* to do so; and

(5) the perceived probability and seriousness of possible breaches of regulatory requirements and the possible need for further action.

Considerations relating to FSA resources

5.3.10 G /1 The *FSA* will have regard to *FSA*-related considerations including:

(1) *FSA* expertise: whether the *FSA* has the necessary expertise; and

(2) *FSA* resources: whether the resources required to produce a report or to make enquiries are available within the *FSA*, or whether the exercise will be the best use of the *FSA's* resources at the time.

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5.4 Appointment and reporting process

Scope of report

5.4.1 **G** /1 The *FSA* will send a notice in writing requiring the *person* in *SUP* 5.2.1G to provide a report by a *skilled person* on any matter if it is reasonably required in connection with the exercise of its functions conferred by or under the *Act*. The *FSA* may require the report to be in whatever form it specifies in the notice (*SUP* 5 Ann 2G summarises the appointment and reporting processes).

5.4.2 **G** /1 As part of the decision making process the *FSA* will normally contact the *person* in *SUP* 5.2.1G to discuss its needs before finalising its decision to require a report by a *skilled person*. This will provide an opportunity for discussion about the appointment, whether an alternative means of obtaining the information would be better, what the scope of a report should be, who should be appointed, and the likely cost.

5.4.3 **G** /1 The *FSA* will give written notification to the *person* in *SUP* 5.2.1G of the purpose of the report, its scope, the timetable for completion and any other relevant matters. The *FSA* will state the matters which the report is to contain as well as any requirements as to the report's format. For example, a report on controls may be required to address key risks, key controls and the control environment. The *FSA* attaches importance to there being a timetable for each report and to the *skilled person*, with the cooperation of the *person* in *SUP* 5.2.1G, keeping to that timetable.

5.4.4 **G** /1 The written notification in *SUP* 5.4.3G may be preceded or followed by a discussion of the *FSA's* requirements and the reasons for them. This may involve the *FSA*, the *person* in *SUP* 5.2.1G and the person who has been, or is expected to be, appointed as the *skilled person*. The *FSA* recognises that there will normally be value in holding discussions involving the *skilled person* at this stage. These discussions may include others if appropriate.

5.4.5 **G** /1 The *FSA* will wish to conduct the discussion with the *firm*, its *skilled person* and any others within a timescale appropriate to the circumstances of the case.

Appointment process

5.4.6 **G** /1 The *skilled person* is appointed by the *person* in *SUP* 5.2.1G. The *FSA* will normally seek to agree in advance with the person in *SUP* 5.2.1G the *skilled person* who will make the report. The *Act* requires that the *skilled person* be nominated or approved by the *FSA*:

(1) if the *FSA* decides to nominate the *skilled person* who is to make the report, it will notify the *person* in *SUP* 5.2.1G accordingly; and

(2) alternatively, if the *FSA* is content to approve a *skilled person* selected by the *person* in *SUP* 5.2.1G, it will notify the latter *person* of that fact.

The *FSA* may give the *person* in *SUP* 5.2.1G a shortlist from which to choose.

5.4.7 G /1 A *skilled person* must appear to the *FSA* to have the skills necessary to make a report on the matter concerned. A *skilled person* may be an accountant, lawyer, *actuary* or *person* with relevant business, technical or technological skills.

5.4.8 G /1 When considering whether to nominate or approve a *skilled person* to make a report, the *FSA* will have regard to the circumstances of the case, including whether the proposed *skilled person* appears to have:

(1) the skills necessary to make a report on the matter concerned;

(2) the ability to complete the report within the time expected by the *FSA*;

(3) any relevant specialised knowledge, for instance of the *person* in *SUP* 5.2.1G, the type of business carried on by the *person* in *SUP* 5.2.1G, or the matter to be reported on;

(4) any professional difficulty or potential conflict of interest in reviewing the matters to be reported on, for instance because the matters to be reported on may involve questions reflecting on the quality or reliability of work previously carried out by the proposed *skilled person*; and

(5) enough detachment, bearing in mind the closeness of an existing professional or commercial relationship, to give an objective opinion on matters such as:

   (a) matters already reported on by the *skilled person* (for example, on the financial statements of the *person* in *SUP* 5.2.1G or in relation to their systems and controls);

   (b) matters that are likely to be contentious and may result in disciplinary or other enforcement action against the *person* in *SUP* 5.2.1G, its management, *shareholders* or *controllers*; or

   (c) matters that the *skilled person* has been involved in, in another capacity (for example, when a *skilled person* has been involved in developing an information system it may not be appropriate for him to provide a subsequent opinion on the adequacy of the system).

5.4.9 G /1 In appropriate circumstances, it may be cost effective for the *FSA* to nominate or approve the appointment of a *skilled person* who has previously acted for, or advised, the *person* in *SUP* 5.2.1G. For example, the *FSA* may nominate, or approve the appointment of, the auditor of a *person* in *SUP* 5.2.1G to prepare a report taking into account, where relevant, the considerations set out in *SUP* 5.4.7G.

Reporting process

5.4.10 G /1 The *FSA* will normally require the *person* in *SUP* 5.2.1G to appoint a *skilled person* to report to the *FSA* through that *person*. In the normal course of events the *FSA* expects that the *person* in *SUP* 5.2.1G will be given the opportunity to provide written comments on the report prior to its submission to the *FSA* (*SUP* 5 Ann 2G summarises the reporting process).

5.4.11 G /1 The *FSA* may enter into a dialogue with the *skilled person*, and is ready to discuss matters relevant to the report with him, during the preparation of the report. Such discussions will normally involve or be through the *person* in *SUP* 5.2.1G.

5.4.12 G /1 The *FSA* will normally specify a time limit within which it expects the *skilled person* to deliver the report. The *skilled person* should, in complying with its contractual duty under *SUP* 5.5.1R, take reasonable steps to achieve delivery by that time. If the *skilled person* becomes aware that the report may not be delivered on time, he should inform the *FSA* and the *person* in *SUP* 5.2.1G as soon as possible. If the *skilled person* becomes aware that there may be difficulties delivering the report within cost estimates, he will no doubt wish to advise the *firm*.

5.4.13 G /1 The *FSA* may meet with the *person* in *SUP* 5.2.1G and the *skilled person* together to discuss the final report. The *FSA* may also wish to discuss the final report with the *skilled person* present but without the *person* in *SUP* 5.2.1G.

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5.5 Duties of firms

Contract with the skilled person

5.5.1 R /1 When a *firm* appoints a skilled person to provide a report under section 166 of the *Act* (Reports by skilled persons), the *firm* must, in a contract with the *skilled person*:

(1) require and permit the *skilled person* during and after the course of his appointment:

(a) to cooperate with the *FSA* in the discharge of its functions under the *Act* in relation to the *firm*; and

(b) to communicate to the *FSA* information on, or his opinion on, matters of which he has, or had, become aware in his capacity as *skilled person* reporting on the *firm* in the following circumstances:

(i) the *skilled person* reasonably believes that, as regards the *firm* concerned

(A) there is or has been, or may be or may have been, a contravention of any relevant *requirement* that applies to the *firm* concerned; and

(B) that the contravention may be of material significance to the *FSA* in determining whether to exercise, in relation to the *firm* concerned, any functions conferred on the *FSA* by or under any provision of the *Act* other than Part VI. (Official Listing); or

(ii) the *skilled person* reasonably believes that the information on, or his opinion on, those matters may be of material significance to the *FSA* in determining whether the *firm* concerned satisfies and will continue to satisfy the *threshold conditions; or*

(iii) the *skilled person* reasonably believes that *firm* is not, may not be or may cease to be a going concern;

(2) **require the *skilled person* to prepare a report, as notified to the *firm* by the *FSA*, *within the time specified by the FSA*; and**

(3) **waive any duty of confidentiality owed by the *skilled person* to the *firm* which might limit the provision of information or opinion by that *skilled person* to the *FSA* in accordance with (1) or (2). (See also *SUP* 5.5.13G. and *SUP* 5.6)**

5.5.2 G /1 In complying with the contractual duty in *SUP* 5.5.1R(1) the *FSA* expects that a *skilled person* appointed under section 166 of the *Act* (Reports by skilled persons) will cooperate with the *FSA* by, amongst other things, providing information or documentation about the planning and progress of the report and its findings and conclusions, if requested to do so. A *firm* should therefore ensure that the contract it makes with the *skilled person* requires and permits the *skilled person* to provide the following to the *FSA* if requested to do so:

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(1) interim reports;

(2) source data, *documents* and working papers;

(3) copies of any draft reports given to the *firm*; and

(4) specific information about the planning and progress of the work to be undertaken (which may include project plans, progress reports including percentage of work completed, details of time spent, costs to date, and details of any significant findings and conclusions).

5.5.3 G /1 If the *FSA* is considering asking for the information specified in *SUP* 5.5.2G it will take into consideration the cost of the *skilled person* complying with the request, and the benefit that the *FSA* may derive from the information. For example, in most cases, the *FSA* will not need to request a *skilled person* to give it source data, *documents* and working papers. However, the *FSA* may do so when it reasonably believes that this information will be relevant to any investigation it may be conducting, or any action it may need to consider taking against the *firm*.

5.5.4 G /1 In complying with the contractual duty in *SUP* 5.5.1R, the *FSA* expects that, in the case of substantial or complex reports, the *skilled person* will give a periodic update on progress and issues to allow for a re-focusing of the report if necessary. The channel of communication would normally be directly between the *skilled person* and the *FSA*. However, the *FSA* would also expect *firms* normally to be informed about the passage of information, and the *skilled person* would usually be expected to keep the *firm* informed of any communication between the *skilled person* and the *FSA*.

5.5.5 R /1 **A *firm* must ensure that the contract required by *SUP* 5.5.1R:**

(1) **is governed by the laws of a part of the *United Kingdom*;**

(2) **expressly**

(a) **provides that the *FSA* has a right to enforce the provisions included in the contract under *SUP* 5.5.1R and *SUP* 5.5.5R(2);**

(b) **provides that, in proceedings brought by the *FSA* for the enforcement of those provisions, the *skilled person* is not to**

have available by way of defence, set-off or counterclaim any matter that is not relevant to those provisions;

(c) **(if the contract includes an arbitration agreement) provides that the *FSA* is not, in exercising the right in (a), to be treated as a party to, or bound by, the arbitration agreement; and**

(d) **provides that the provisions included in the contract under *SUP* 5.5.1R and *SUP* 5.5.5R(2) are irrevocable and may not be varied or rescinded without the *FSA's* consent; and**

(3) **is not varied or rescinded in such a way as to extinguish or alter the provisions referred to in (2)(d).**

5.5.6 G /1 The Contracts (Rights of Third Parties) Act 1999, or Scots common law, enables the *FSA* to enforce the rights conferred on it under the contract against the *skilled person*.

5.5.7 G /1 If the *FSA* considers it appropriate, it may request the *firm* to give it a copy of the draft contract before it is made with the *skilled person*. The *FSA* will inform the *firm* of any matters that it considers require further clarification or discussion before the contract is finalised.

5.5.8 G /1 The *FSA* expects the *firm*, in complying with *Principle* 11, to give the *FSA* information about the cost of the *skilled persons* report. This may include both an initial estimate of the cost as well as the cost of the completed report. This information is required to help inform the *FSA's* decision making in the choice of regulatory tools. Information about the number and cost of reports by *skilled persons* will be published by the *FSA*.

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Assisting the skilled person

5.5.9 R /1 **A *firm* must provide all reasonable assistance to any *skilled person* appointed to provide a report under section 166 of the *Act* (Reports by skilled persons).**

5.5.10 G /1 In providing reasonable assistance under *SUP* 5.5.9R, a *firm* should take reasonable steps to ensure that, when reasonably required by the *skilled person*, each of its *appointed representatives* waives any duty of confidentiality and provides reasonable assistance as though *SUP* 5.5.1R(3) and *SUP* 5.5.9R applied directly to the *appointed representative*.

5.5.11 G /1 Reasonable *assistance* in *SUP* 5.5.9R should include:

(1) access at all reasonable business hours for the *skilled person* to the *firm's* accounting and other records in whatever form;

(2) providing such information and explanations as the *skilled person* reasonably considers necessary or desirable for the performance of his duties; and

(3) permitting a *skilled person* to obtain such information directly from the *firm's* auditor as he reasonably considers necessary or desirable for the proper performance of his duties.

Responsibility for delivery

5.5.12 G /1 In complying with *Principle* 11, a *firm* is expected to take reasonable steps to ensure that a *skilled person* delivers a report in accordance with the terms of his appointment.

Assistance to skilled persons from others

5.5.13 G /1 Section 166(5) of the *Act* (Authority's power to require information) imposes a duty on certain *persons* to give assistance to a *skilled person*. The *persons* on whom this duty is imposed are those who are providing, or have at any time provided, services to any *person* falling within *SUP* 5.2.1G. They include suppliers under *material outsourcing arrangements*.

5.6 Confidential information and privilege

Confidential information

5.6.1 G /1 Within the legal constraints that apply, the *FSA* may pass on to a *skilled person* any information which it considers relevant to the *skilled person's* function. A *skilled person*, being a primary recipient under section 348 of the *Act* (Restrictions on disclosure of confidential information by Authority etc.), is bound by the confidentiality provisions in Part XXIII of the *Act* (Public record, disclosure of information and cooperation) as regards confidential information he receives from the *FSA* or directly from a *firm* or other *person*. A *skilled person* may not pass on confidential information without lawful authority, for example, where an exception applies under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188) or with the consent of the *person* from whom that information was received and (if different) to whom the information relates. The *FSA* will indicate to a *skilled person* if there is any matter which cannot be discussed with the *person* in *SUP* 5.2.1G

5.6.2 G /1 Banking confidentiality and legal privilege

The *limitations* in the following sections of the *Act* are relevant to this chapter:

(1) section 175(5) (Information and documents: supplemental provisions) under which a person may be required under Part XI of the *Act* (Information Gathering and Investigations) to disclose information or produce a document subject to banking confidentiality (with exceptions); and

(2) section 413 (Protected items), under which no *person* may be required to produce, disclose or allow the inspection of *protected items*.

ANNEX B

Chapter 13

Exercise of passport rights by UK firms

13.1 Application and purpose

Application

13.1.1 G /1 This chapter applies to a *UK firm*, that is, a *person* whose head office is in the *United Kingdom* and which is entitled to carry on an activity in another *EEA State* subject to the conditions of a *Single Market Directive*. Such an entitlement is referred to in the *Act* as an *EEA right* and its exercise is referred to in the *Handbook* as passporting.

13.1.2 G /1 This chapter also applies to a *UK firm* which wishes to establish a *branch* in, or provide *cross border services* into, Gibraltar. The Financial Services and markets Act 2000 (Gibraltar) Order 2001 provides that a *UK firm* is to be treated as having an entitlement corresponding to it's *EEA right*, to establish a *branch* in, or provide *cross border services* into, Gibraltar under any of the *Single Market Directives*. So, references in this chapter to an *EEA State* or an *EEA right* include references to Gibraltar and the entitlement under the Gibraltar Order respectively.

13.1.3 G /1 This chapter does not apply to:

(1) a *firm* established in an *EEA State* other than the *United Kingdom*; passporting by such a *firm* in or into the *United Kingdom* is a matter for its *Home State regulator* although *guidance* is given in ■ AUTH 5(Qualifying for authorisation under the Act);

(2) other *overseas firms* (that is, *overseas firms* established outside the *EEA*); such *firms* are not entitled to passport into another *EEA State* and, where relevant, may need to obtain authorisation in each *EEA State* in which they carry on business;

(3) any insurance activity by way of provision of services which is provided by an *EEA firm* participating in a *community co-insurance operation* otherwise than as *leading insurer*; article 26.2 of the *Second Non-Life Directive* provides that only the *leading insurer* in such an operation is required to complete any passporting formalities (see also article 11 of the *Regulated Activities Order)*; or

(4) the marketing of a *UCITS* scheme by its operator in another *EEA State* under the *UCITS Directive* (see ■ CIS 2.3.4G).

13.1.4 G /1 ■ SUP 13 Ann X [to be issued later] contains *guidance* on the *Single Market Directives*.

Purpose

13.1.5 G /1 This chapter gives *guidance* on Schedule 3 to the *Act* for a *UK firm* which wishes to exercise its *EEA right* and establish a *branch* in, or provide *cross border services* into, another *EEA State*. That is, when a *UK firm* wishes to establish its first *branch* in, or provide *cross border services* for the first time into, a particular *EEA State*.

13.1.6 G /1 The chapter also explains how a *UK firm* which has already established a *branch* in, or is providing *cross border services* into, another *EEA State*, may change the details of its *branch* or of the *cross border services* it is providing: for example, where a *UK firm* wishes to establish additional *branches* in an *EEA State* in which it has already established a *branch* where this would result in a change to the details provided previously. Such changes are governed by the *EEA Passport Rights Regulations*.

13.2 Introduction

13.2.1 G /1 This *chapter* gives *guidance* to *UK firms*. In most cases *UK firms* will be *authorised persons* under the *Act*. However, under the *Banking Consolidation Directive*, a subsidiary of a *firm* which is a *credit institution* which meets the criteria set out in that Directive also has an *EEA right*. Such an unauthorised subsidiary is known as a *financial institution*. References in this chapter to a *UK firm* include a *financial institution*.

13.2.2 G /1 A *UK firm* should be aware that the *guidance* is the *FSA's* interpretation of the *Single Market Directives*, the *Act* and the legislation made under the *Act*. The *guidance* is not exhaustive and is not a substitute for *firms* consulting the legislation or taking their own legal advice in the *United Kingdom* and in the relevant *EEA States*.

13.2.3 G /1 In some circumstances, a *UK firm* that is carrying on business which is outside the scope of the *Single Market Directives* has a right under the *Treaty* to carry on that business. For example, an *insurer* carrying on both direct insurance and reinsurance business is not covered by the *Insurance Directives* in respect of the reinsurance element. It may, however, have rights under the *Treaty* in respect of its reinsurance business. Such *UK firms* may wish to consult with the FSA on their particular circumstances (see ■ SUP 13.12.2G).

13.3 Establishing a branch in another EEA State

What constitutes a branch

13.3.1 G /1 *Guidance* on what constitutes a *branch* is given in ■ SUP 13 Ann X [to be issued later].

The conditions for establishing a branch

13.3.2 G /1 A *UK firm* cannot establish a *branch* in another *EEA State* for the first time under an *EEA right* unless the conditions in paragraphs 19(2), (4) and (5) of Part III of Schedule 3 to the *Act* are satisfied. It is an offence for a *UK firm* which is not an *authorised person* to contravene this prohibition (paragraph 21 of Part III of Schedule 3 to the *Act*). These conditions are that:

(1) the *UK firm* has given the *FSA*, in accordance with the *FSA rules* (see ■ SUP 13.5.1R), notice of its intention to establish a *branch* (known as a notice of intention) which;

(a) (i) identifies the activities which it seeks to carry on through the *branch*; and

(b) (i) includes such other information as may be specified by the *FSA* (see ■ SUP 13.5.1R);

(2) the *FSA* has given notice (known as a *consent notice*) to the *Host State regulator*; and

(3) (a) the *Host State regulator* has notified the *UK firm* (or, where the *UK firm* is passporting under the *Insurance Directives*, the *FSA*) of the *applicable provisions*; or

(b) two months have elapsed beginning with the date on which the *FSA* gave the *consent notice*.

13.3.3 G /1 Where the *UK firm* is passporting under the *Insurance Directives* and the *Host State regulator* has notified the *FSA* of the *applicable provisions*, then under paragraph 19(9) of Part III of Schedule 3 to the *Act*, the *FSA* is required to inform the *firm* of these provisions.

How long will the process take?

13.3.4 G /1 The *FSA* has three months from receiving a *UK firm's* notice of intention to consider it and, if satisfied with the proposal, notify the relevant *Host State regulator*. The *Host State regulator* then has a further two months to notify the *applicable provisions* (if any) and prepare for the supervision, as appropriate, of the *UK firm*.

Issue of a consent notice to the Host State regulator

13.3.5 G /1 (1) If a *UK firm* has given the *FSA* a notice of intention in the required form, then:

(a) if the *UK firm's EEA right* derives from the *Banking Consolidation Directive* or the *Investment Services Directive*, the *FSA* will give the *Host State regulator* a *consent notice* within three months unless it has reason to doubt the adequacy of a *UK firm's* resources or its administrative structure;

(b) if the *UK firm's EEA right* derives from the *Insurance Directives*, the *FSA* will give the *Host State regulator* a *consent notice* within three months unless it has reason to:

(i) doubt the adequacy of the *UK firm's* resources or its administrative structure; or

(ii) question the reputation, qualifications or experience of the *directors* or managers of the *UK firm* or its proposed authorised agent,

in relation to the business the *UK firm* intends to conduct through the proposed *branch*;

(2) in assessing the matters in ■ SUP 13.3.5G(1)(b) the *FSA* may, in particular, seek further information from the *firm* or require a report from a *skilled person* (see ■ SUP 5 (Skilled Persons)).

13.3.6 G /1 (1) If the *FSA* gives a *consent notice*, it will inform the *UK firm* in writing that it has done so.

(2) The *consent notice* will contain, among other matters, the *requisite details* (see ■ SUP 13 Ann 1R)or (if the *firm* is passporting under the *Insurance Directives*) the EEA relevant details (see ■ SUP 13 Ann 2R) provided by the *UK firm* in its notice of intention (see ■ SUP 13.5(Notices of intention)).

13.3.7 G /1 (1) If the *FSA* proposes to refuse to give a *consent notice*, then paragraph 19(8) of Part III of Schedule 3 to the *Act* requires the *FSA* to give the *UK firm* a *warning notice*.

(2) If the *FSA* decides to refuse to give a *consent notice*, then paragraph 19(12) of Part III of Schedule 3 to the *Act* requires the *FSA* to give the *UK firm* a *decision notice* within three months of the date on which it received the *UK firm's* notice of intention. The *UK firm* may refer the matter to the *Tribunal*.

(3) For details of the *FSA's* procedures for the giving of *warning notices* or *decision notices* and references to the *Tribunal* see ■ DEC 2 (Statutory notice procedure: Warning notice and decision notice procedure) and ■ DEC 5 (References to the Tribunal, publication and service of notices).

13.4 Providing cross border services into another EEA State

Where is the service provided?

13.4.1 G /1 *Guidance* on where a *cross border service* is provided is given in ■ SUP 13 Ann 3G [to be issued later].

The conditions for providing cross border services into another EEA State

13.4.2 G /1 A *UK firm* cannot start providing *cross border services* into another *EEA State* under an *EEA right* unless it satisfies the conditions in paragraphs 20(1) of Part III of Schedule 3 to the *Act* and, if it derives its *EEA right* from the *Insurance Directives*, paragraph 20(4B) of Part III of Schedule 3 to the *Act*. It is an offence for a *UK firm* which is not an *authorised person* to breach this prohibition (paragraph 21 of Part III of Schedule 3 to the *Act*). The conditions are that:

(1) the *UK firm* has given the *FSA*, in the way specified by *FSA rules* (see ■ SUP 13.5.2R), notice of its intention to provide *cross border services* (known as a notice of intention) which:

(a) identifies the activities which it seeks to carry on by way of provision of *cross border services*; and

(b) includes such other information as may be specified by the *FSA* (see ■ SUP 13.5.2R); and

(2) if the *UK firm* is passporting under the *Insurance Directives*, the *firm* has received written notice from the *FSA* as described in ■ SUP 13.4.6G.

How long will the process take?

13.4.3 G /1 On receipt of a *UK firm's* notice of intention (prepared in accordance with ■ SUP 13.4.2(1) and ■ SUP 13.5.2R) then:

(1) if the *EEA right* is derived from the *Investment Services Directive* or the *Banking Consolidation Directive*, the *FSA* has one month to notify the relevant *Host State regulator*;

(2) however, a *UK firm* passporting under the *Banking Consolidation Directive* and the *Investment Services Directive* may start providing *cross border services* as soon as it satisfies the relevant conditions (see ■ SUP 13.4.2G);

(3) if the *EEA right* is derived from the *Insurance Directives*, the *FSA* has one month to consider it and, if satisfied with the proposal, notify the relevant *Host State regulator*.

Issuing a consent notice or notifying the Host State regulator

13.4.4 G /1 If a *UK firm* has given the *FSA* a notice of intention in the required form, then:

(1) if the *UK firm's EEA right* derives from the *Investment Services Directive* or the *Banking Consolidation Directive*, paragraph 20(3) of Part III of Schedule 3 to the *Act* requires the *FSA* to send a copy of the notice of intention to the *Host State regulator* within one month of receipt; or

(2) (a) if the *UK firm's EEA right* derives from the *Insurance Directives*, paragraph 20(3A) of Part III of Schedule 3 to the *Act* requires the *FSA*, within one month of receiving the notice of intention, to:

(i) give notice in a specified form (known as a *consent notice*) to *the Host State regulator*; or

(ii) give written notice to the *UK firm* of its refusal to give a *consent notice* and the reasons for that refusal.

(b) The issue or refusal of a *consent notice* is the consequence of a regulatory decision, and the *consent notice* is not a *statutory notice* as set out in section 395 of the *Act*. As such, the *FSA* will follow the decision making procedures set out in ■ DEC 1 (Application, Purpose and Introduction). A *UK firm* that receives notice that the *FSA* refuses to give a consent notice may refer the matter to the *Tribunal* under paragraph 20(4A) of Part III of Schedule 3 to the *Act*. For procedures relating to references to the *Tribunal* see ■ DEC 5 (References to the Tribunal, publication and service of notices).

13.4.5 G /1 When the *FSA* sends a copy of a notice of intention, or if it gives a *consent notice* to the *Host State regulator*, it must inform the *UK firm* in writing that it has done so (para 20 (4) of Schedule 3 to the *Act)*.

Applicable provisions for cross border services

13.4.6 G /1 (1) If the *UK firm* is passporting under the *Investment Services Directive*, then when the *Host State regulator* receives the notice of intention, it should inform the *UK firm* of any *applicable provisions*.

(2) If the *UK firm* is passporting under the *Insurance Directives,* then the *Host State regulator* may notify the *FSA* if there are any applicable provisions. If so, the *FSA* will inform the *UK firm* of the *applicable provisions*.

(3) If a *UK firm* is not notified of the *applicable provisions*, it should, for its own protection, take all reasonable steps to determine the *applicable provisions* for itself.

13.5 Notices of intention

Specified contents: notice of intention to establish a branch

13.5.1 R /1 A *UK firm* wishing to establish a *branch* in a particular *EEA State* for the first time under an *EEA right* must include in its notice of intention given to the *FSA*:

(1) The information specified in ■ SUP 13 Ann 1R; and

(2) if the *UK firm* is passporting under the *Insurance Directives*, the information specified in ■ SUP 13 Ann 2R.

Specified contents: notice of intention to provide cross border services

13.5.2 R /1 A *UK firm* wishing to provide *cross border services* into a particular *EEA State* for the first time under an *EEA right* must include, in its notice of intention given to the *FSA*:

(1) if the *UK firm* is passporting under the *Investment Services Directive* or the *Insurance Directives*, the information specified in ■ SUP 13 Ann 3R;

(2) if the *UK firm* is passporting under the *Banking Consolidation Directive*, the activities which it intends to carry on.

Specified manner: form and delivery

13.5.3 R /1 (1) The notice of intention under ■ SUP 13.5.1R and ■ SUP 13.5.2R must be:

(a) given to a member of, or addressed for the attention of, the Corporate Authorisation department, if submitted with an application for *Part IV permission*, or the Passport Notifications Unit in any other circumstances; and

(b) delivered to the *FSA* by one of the methods in (2).

(2) **The notice of intention may be delivered by:**

(a) ***post*** **to the address in (3); or**

(b) **leaving the application at the address in (3) and obtaining a time-stamped receipt; or**

(c) **hand delivery to a member of the Corporate Authorisation department (if submitted with an application for *Part IV permission*) or to the Passport Notification Unit;**

(d) **electronic mail to the address in (4) if not submitted with an application for *Part IV Permission* and obtaining an electronic confirmation of receipt;**

(e) **fax to the Passport Notifications Unit on 0207 676 xxxx (if not submitted with an application for *Part IV Permission*) provided that the FSA receives a copy by one of the methods (a) to (d) above within five *business days* after the date of the faxed notification.**

(3) **The address for notices of intention is: The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.**

(4) **Email: passport.notifications@fsa.gov.uk**

13.5.4 G /1 A standard form of notice of intention that a *UK firm* may wish to use is available from the Passport Notifications Unit (see ■ SUP 13.12 (Sources of further information)).

Unregulated activities

13.5.5 G /1 A notice of intention may include activities within the scope of the relevant *Single Market Directive* which are not *regulated activities* (paragraphs 19(3) and 20(2) of Part III of Schedule 3 to the *Act*). Regulation 19 of the *EEA Passport Rights Regulations* states that where a *UK firm* is able to carry on such an *unregulated activity* in the *EEA State* in question without contravening any law of the *United Kingdom* (or any part of the *United Kingdom*) the *UK firm* is treated, for the purposes of the exercise of its *EEA right*, as being authorised to carry on that activity.

Translations

13.5.6 G /1 (1) A *UK firm* passporting under the *Banking Consolidation Directive* or the *Insurance Directives* may have to submit the *requisite details* or relevant details in the language of the *Host State* as well as in English . For a *UK firm* passporting under the *Insurance Directives* this translated document will not include the relevant UK details. Further information is available from the Passport Notification Unit.

(2) A *UK firm* may wish to discuss with the Passport Notifications Unit the appropriate time for providing the translations in (1), given that further information or clarification of the details provided may be required by the *FSA*.

(3) A *UK firm* passporting under the *Insurance Directives* should keep the *EEA* and *UK* relevant details separate as, if the application is approved, only the former will be sent to the *Host State regulator*.

Notifications to more than one EEA State

13.5.7 G /1 If a *UK firm* wishes to establish *branches* in, or *provide cross border services* into, more than one *EEA State*, a single notification may be provided but the *requisite details* or relevant details for each *EEA State* should be clearly identifiable.

13.6 Changes to branches

13.6.1 G /1 Where a *UK firm* is exercising an *EEA right* and has established a *branch* in another *EEA State*, any changes to the details of the *branch* are governed by the *EEA Passport Rights Regulations*. References to regulations in this section are to the *EEA Passport Rights Regulations*. A *UK firm* which is not an *authorised person* should note that, under regulation 18, contravention of the prohibition imposed by regulation 11(1), 13(1) or 15(1) is an offence. It is a defence, however, for the *UK firm* to show that it took all reasonable precautions and exercised due diligence to avoid committing the offence.

13.6.2 G /1 *UK firms* should note that if a *branch* in another *EEA State* ceases to provide services, this may represent a change in *requisite details* or relevant details.

13.6.3 G /1 *UK firms* should also note that changes to the details of *branches* may lead to changes to the *applicable provisions* to which the *UK firm* is subject. These changes should be communicated to the *UK firm* either by the *Host State regulator*, or, if the *firm* is passporting under *Insurance Directives*, via the *FSA*.

Firms passporting under the Investment Services Directive and Banking Consolidation Directive

13.6.4 G /1 If a *UK firm* has exercised an *EEA right*, under the *Investment Services Directive* or the *Banking Consolidation Directive*, and established a *branch* in another *EEA State*, regulation 11(1) states that the *UK firm* must not make a change in the *requisite details* of the *branch* (see ■ SUP 13 Ann 1R), unless it has satisfied the requirements of regulation 11(2), or, where the change arises from circumstances beyond the *UK firm's* control, regulation 11(3) (see ■ SUP 13.6.10G).

13.6.5 G /1 Where the change arises from circumstances within the control of the *UK firm*, the requirements in regulation 11(2) are that:

(1) the *UK firm* has given notice to the *FSA* and to the *Host State regulator* stating the details of the proposed change;

(2) the *FSA* has given the *Host State regulator* a notice informing it of the details of the change; and

(3) either the *Host State regulator* has informed the *UK firm* that it may make the change, or the period of one month beginning with the day on which the *UK firm* gave the *Host State regulator* the notice in (1) has elapsed.

Firms pasporting under the Insurance Directives

13.6.6 G /1 If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and established a *branch* in another *EEA State*, regulation 13(1) states that the *UK firm* must not make a change in the relevant EEA details (see ■ SUP 13 Ann 3R), unless it has satisfied the requirements of regulation 13(2), or, where the change arises from circumstances beyond the *UK firm's* control, regulation 13(3) (see ■ SUP 13.6.10G).

13.6.7 G /1 Where the change arises from circumstances within the control of the *UK firm*, the requirements in regulation 13(2) are that:

(1) the *UK firm* has given notice to the *FSA* and to the *Host State regulator* stating the details of the proposed change;

(2) the *FSA* has given the *Host State regulator* a notice informing it of the details of the proposed change;

(3) the period of at least one month beginning on the day on which the *UK firm* gave the *FSA* the notice in (1) has elapsed; and

(4) either:

(a) a further period of one month has elapsed; or

(b) the *FSA* has informed the *UK firm* of any consequential changes in the applicable provisions of which the *FSA* has been notified by the *Host State regulator*.

13.6.8 G /1 If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and established a *branch* in another *EEA State*, regulation 15(1) states that the *UK firm* cannot make a change in any of the UK relevant details (see ■ SUP 13 Ann 2R) unless the *UK firm* has given a notice to the *FSA* stating the details of the proposed change at least one month before the change is effected.

13.6.9 G /1 Where a *UK firm* with *Part IV permission* to carry on both *long-term* and *general insurance business*, is passporting under the *Insurance Directives* and wishes to extend its *general insurance business* to include *long term insurance business* (or vice versa), it should complete a new notice of intention (see ■ SUP 13.5(Notices of intention) and not a change in *requisite details* notification.

Changes arising from circumstances beyond the control of a UK firm

13.6.10 G /1 (1) If the change arises from circumstances beyond the *UK firm's* control, the *UK firm*:

(a) is required by regulation 11(3) or regulation 13(3) to give a notice to the *FSA* and to the *Host State regulator* stating the details of the change as soon as reasonably practicable;

(b) may, if it is passporting under the *Insurance Directives*, make a change to its UK relevant details under regulation 15(1) if it has, as soon as practicable (whether before or after the change), given notice to the *FSA* stating the details of the change.

(2) The *FSA* believes that for a change to arise from circumstances beyond the control of a *UK firm*, the circumstances should be outside the control of the firm as a whole and not just the branch in the *EEA State*.

The process

13.6.11 G /1 When the *FSA* receives a notice from a *UK firm* (see ■ SUP 13.6.5G(1)and ■ SUP 13.6.7G(1)) it is required by regulations 11(4) and 13(4) to either refuse, or consent to the change within a period of one month from the day on which it received the notice.

13.6.12 G /1 If the *FSA* consents to the change, then under regulations 11(5) and 13(5) it will:

(1) give a notice to the *Host State regulator* informing it of the details of the change; and

(2) inform the *UK firm* that it has given the notice, stating the date on which it did so.

13.6.13 G /1 If a *UK firm* is passporting under the *Investment Services Directive* or *Banking Consolidation Directive*, then regulation 11(7) states that the *FSA* may not refuse to consent to a change unless, having regard to the change and to the EEA activities the *UK firm* is seeking to carry on, it doubts the adequacy of the administrative structure or the financial situation of the *UK firm*. In reaching its determination, the *FSA* may have regard to the adequacy of management, systems and the presence of relevant skills needed for the EEA activities to be carried on.

13.6.14 G /1 If a *UK firm* is passporting under the *Insurance Directives,* then regulation 13(7) states that the *FSA* may not refuse to consent to a change unless, having regard to the change, the *FSA* has reason:

(1) to doubt the adequacy of the *UK firm's* administrative structure or financial situation; or

(2) to question the reputation, qualifications or experience of the directors or managers of the firm or the authorised agent;

in relation to the business conducted, or to be conducted, through the branch.

13.6.15 G /1 If the *FSA* refuses to consent to a change, then under regulations 11(6) and 13(6):

(1) the *FSA* will give notice of the refusal to the *UK firm*, stating its reasons and giving an indication of the *UK firm's* right to refer the matter to the *Tribunal* and the procedures on such a reference; to satisfy this requirement, the *FSA* will give the *UK firm* a *decision notice* following the procedures in *DEC* (but they will not get a *warning notice* first); and

(2) the *UK firm* may refer the matter to the *Tribunal*; for details of procedures for a reference to the *Tribunal* see *DEC 5* (References to the Tribunal, publication and service of notices).

13.7 Changes to cross border services

13.7.1 G /1 Where a *UK firm* is exercising an *EEA right*, other than under the *Banking Consolidation Directive*, and is providing *cross border services* into another *EEA State*, any changes to the details of the services are governed by the *EEA Passport Rights Regulations*. References to regulations in this section are to the *EEA Passport Rights Regulations*. A *UK firm* which is not an *authorised person* should note that contravention of the prohibition imposed by regulation 12(1) or 16(1) is an offence. It is a defence, however, for the *UK firm* to show that it took all reasonable precautions and exercised due diligence to avoid committing the offence.

13.7.2 G /1 *UK firms* should also note that changes to the details of *cross border services* may lead to changes to the *applicable provisions* to which the *UK firm* is subject.

Firms passporting under the Investment Services Directive

13.7.3 G /1 If a *UK firm* is passporting under the *Investment Services Directive,* regulation 12(1) states that the *UK firm* must not make a change in its programme of operations, or the activities to be carried on under its *EEA right,* unless the relevant requirements in regulation 12(2) have been complied with. These requirements are:

(1) the *UK firm* has given a notice to the *FSA* and to the *Host State regulator* stating the details of the proposed change; or

(2) if the change arises as a result of circumstances beyond the *UK firm's* control, the *UK firm* has as soon as practicable (whether before or after the change) given a notice to the *FSA* and to the *Host State regulator*, stating the details of the change.

Firms passporting under the Insurance Directives

13.7.4 G /1 If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and is providing *cross border services* into another *EEA State*, regulation 16(1) states that the *UK firm* must not make a change in the relevant details (see ■ SUP 13 Ann 3R) unless the relevant requirements in regulation 16(3) or, where the change arises from circumstances beyond the *UK firm's* control, regulation 16(4), have been complied with.

13.7.5 G /1 Regulation 16(3) provides that:

(1) the *UK firm* has given a notice to the *FSA* stating the details of the proposed change; and

(2) the *FSA* has given the *Host State regulator* a notice informing it of the details of the proposed change.

13.7.6 G /1 If the change arises from circumstances beyond the *UK firm's* control, the *UK firm* is required by regulation 16(4) to give a notice to the *FSA* stating the details of the change as soon as reasonably practicable (whether before or after the change). See also ■ SUP 13.6.10G(2), as relevant to *cross border services*.

13.7.7 G /1 When the *FSA* receives a notice from a *UK firm* (see ■ SUP 13.7.3G(1) and ■ SUP 13.7.5G), it is required by regulations 16(5) to either refuse or consent to the change within one month of receipt.

13.7.8 G /1 If the *FSA* consents to the change it will:

(1) give a notice to the *Host State regulator* informing it of the details of the proposed change; and

(2) inform the *UK firm* that it has given the notice, stating the date on which it did so.

13.7.9 G /1 If the *FSA* refuses to consent to a change it will follow the decision making procedures set out in ■ DEC 1 (Application, Purpose and Introduction). The *FSA* is required by regulation 16(7) to give notice of the refusal to the *UK firm*, stating its reasons and giving an indication of the *UK firm's* right to refer the matter to the *Tribunal* and the procedures that apply to such a reference; to satisfy this requirement, the *FSA* will give the *UK firm* a *decision notice* following the procedures in *DEC* (but it will not get a *warning notice* first). For details of procedures relating to references to the *Tribunal* see ■ DEC 5 (References to the Tribunal, publication and service of notices).

13.7.10 G /1 Where a *UK firm* with *Part IV permission* to carry on both *long-term* and *general insurance business* is passporting under the *Insurance Directives* and wishes to extend its *general insurance business* to include *long term insurance business* (or vice versa), it should complete a new notice of intention (see ■ SUP 13.5 (Notices of intention)) and not a change in *requisite details* notification.

Firms passporting under the Banking Consolidation Directive

13.7.11 G /1 A *UK firm* providing *cross border services* under the *Banking Consolidation Directive* is not required to supply *requisite details*. Therefore there are no *requisite details* for changes to *cross-border services* provided under the *Banking Consolidation Directive*.

13.8 Changes of details: provision of notices to the FSA

13.8.1 R /1

(1) A notice of a change to a *branch* under ■ SUP 13.6.5 G(1), ■ SUP 13.6.7G(1) and ■ SUP 13.6.8G(1) and a notice of a change to *cross border services* under ■ SUP 13.7.3G(1) or ■ SUP 13.7.5G(1) must be:

(a) given to a member of, or addressed for the attention of, the Passport Notifications Unit; and

(b) delivered to the *FSA* by one of the methods in (2).

(2) The notice of intention may be delivered by:

(a) *post* to the address in (3); or

(b) leaving the application at the address in (3) and obtaining a time-stamped receipt; or

(c) hand delivery to a member of the Corporate Authorisation department (if submitted with an application for *Part IV permission*) or the Passport Notification Unit;

(d) electronic mail to the address in (4) if not submitted with an application for *Part IV Permission* and obtaining an electronic confirmation of receipt;

(e) fax to the Passport Notifications Unit on 0207 676 xxxx (if not submitted with an application for *Part IV Permission* provided that the FSA receives a copy by one of the methods (a) to (d) above within five *business days* after the date of the faxed notification.

(3) The address for notices of intention is: The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

(4) Email: passport.notifications@fsa.gov.uk

13.8.2 G /1

UK firms passporting under the *Banking Consolidation Directive* or the *Insurance Directives* may be required to submit the changes to the *requisite details* or relevant details in the language of the *Host State* as well as in English. See ■ SUP 13.5.6G.

13.9 How does the Handbook apply to branches and cross border services?

13.9.1 G /1 Annex [X] [to be issued later] summarises how the *FSA Handbook* applies to *branches* of a *UK firm* established in other *EEA States* or to *cross border services* provided by a *UK firm* into another *EEA State*.

13.10 Applicable provisions

13.10.1 G /1 *UK firms* are reminded that conduct of business rules, and other rules made for the general good, may apply to business carried on in the *Host State* by a *UK firm*. These are known in the *Act* as the *applicable provisions* (paragraph 19(13) of Part III of Schedule 3 to the *Act*).

13.10.2 G /1 *UK firms* passporting under the *Banking Consolidation Directive* should note that, under the Directive, the *Host State* is responsible, together with the *FSA*, for monitoring the liquidity of a *branch* established by a *UK firm* in another *EEA State*.

13.10.3 G /1 These *Host State* provisions often have requirements about the soliciting of business, for example, advertising and cold-calling rules. A *UK firm* should ensure it is familiar with, and acts in compliance with, the relevant requirements of its *Host State regulator*.

13.11 Record keeping

13.11.1 R /1

(1) A *UK firm* which is exercising an *EEA right* must make and retain a record of:

(a) the services or activities it carries on from a *branch* in, or provides cross-border into, another *EEA State* under that *EEA right*; and

(b) the *requisite details* or relevant details relating to those services or activities (if applicable).

(2) The record in (1) must be kept for three years from the earlier of the date on which:

(a) it was superseded by a more up-to-date record; or

(b) the *UK firm* ceased to have a *branch* in, or carry on *cross border services* into, any *EEA State* under an *EEA right*.

13.11.2 G /1

The record in ■ SUP 13.11.1R need not relate to the level of business carried on. A *UK firm* may comply with ■ SUP 13.11.1R by, for example, keeping copies of all notices of intention and notices of changes of *requisite details* or relevant details.

13.11.3 G /1

A *UK firm* should monitor the business carried on under an *EEA right* to ensure that any changes to *requisite details* or relevant details are notified as required by ■ SUP 13.7 (Changes to cross border services).

13.12 Sources of further information

13.12.1 G /1

(1) Given the complexity of issues raised by passporting, *UK firms* are advised to consult legislation and also to obtain legal advice at earliest opportunity. Firms are encouraged to contact their usual supervisory contact at the *FSA* to discuss their proposals. However, a *UK firm* which is seeking *guidance* on procedural or notification issues relating to passporting should contact the Passport Notifications Unit.

(2) An applicant for *Part IV permission* which is submitting a *notice of intention* with its application for such *permission* (see ■ AUTH 3.20 (Specific obligations: applicants seeking to establish a branch in, or provide services, into another EEA State)) should contact the Corporate Authorisation department in the first instance (see ■ AUTH 1.9 (Next Steps)).

13.12.2 G /1

To contact the Passport Notifications Unit, from which a standard form of notice of intention can be obtained:

(1) telephone on 020 7676 1000; fax on 020 7676 xxxx; or

(2) write to: The Passport Notifications Unit, The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS; or

(3) Email: passport.notifications@fsa.gov.uk

Requisite details: branches

1 Table

Type of firm	Requisite details (see notes 1 & 2)
Credit institution or *Investment firm*	(a) particulars of the programme of operations carried on, or to be carried on, from the *branch*, including a description of the particular *EEA* activities to be carried on, and of the structural organisation of the *branch*; (b) the address in the *EEA State* in which the *branch* is, or is to be, established from which information about the business may be obtained; and (c) the names of the managers of the branch.
Insurance undertaking	(1)(a) the address of the *branch*; (b) the name of the *UK firm's* authorised agent (see note 3) and, in the case of a *member* of *Lloyd's*, confirmation that the authorised agent has power to accept service of proceedings on behalf of *Lloyd's*; (c) the *classes* or parts of *classes* of business carried on, or to be carried on, and the nature of the risks or commitments covered, or to be covered, in the *EEA State* concerned; (d) details of the structural organisation of the *branch*; (e) the guiding principles as to reinsurance of business carried on, or to be carried on, in the *EEA State* concerned, including the *firm's* maximum retention per risk or event after all reinsurance ceded; (f) estimates of: (i) the costs of installing administrative services and the organisation for securing business in the *EEA State* concerned; (ii) the resources available to cover those costs; and (iii) if contracts of a kind falling within paragraph 18 of Schedule 1 to the *Regulated Activities Order* (assistance) are, or are to be, effected or carried out, the resources available for providing assistance; (g) for each of the first three years following the establishment of the *branch*: (i) estimates of the *firm's* margin of solvency and the margin of solvency required and the method of calculation; (ii) if the *firm* carries on, or intends to carry on, business comprising the effecting or carrying out of contracts of *long–term insurance*, the details mentioned in paragraph (2) as respects the business carried on, or to be carried on, in the *EEA State* concerned; and

(iii) if the *firm* carries on, or intends to carry on, business comprising the effecting or carrying out of contracts of *general insurance*, the details mentioned in paragraph (3) as respects the business carried on, or to be carried on, in the *EEA State* concerned;

(h) if the *firm* covers, or intends to cover, relevant motor vehicle risks, details of the *firm's* membership of the national bureau and the national guarantee fund in the *EEA State* concerned; and

(i) if the *firm* covers, or intends to cover, health insurance risks, the technical bases used, or to be used, for calculating premiums in respect of such risks.

(2) The details referred to in (1)(g)(ii) are:

(a) the following information, on both optimistic and pessimistic bases, for each type of contract or treaty:

(i) the number of contracts or treaties expected to be issued;

(i) the total premium income, both gross and net of reinsurance ceded;

(i) the total sums assured or the total amounts payable each year by way of annuity;

(b) detailed estimates, on both optimistic and pessimistic bases, of income and expenditure in respect of direct business, reinsurance acceptances and reinsurance cessions; and

(c) estimates relating to the financial resources intended to cover underwriting liabilities.

(3) The details referred to in (1)(g)(iii) are:

(a) estimates relating to the expenses of management (other than the costs of installation), and in particular those relating to current general expenses and commissions;

(b) estimates relating to premiums or contributions (both gross and net of all reinsurance ceded) and to claims (after all reinsurance recoveries); and

(c) estimates relating to the financial resources intended to cover underwriting liabilities.

Notes

Note 1: The *requisite details* or relevant details specified in this annex are those in the *EEA Passport Rights Regulations*; that is, those in regulation 1 for *credit institutions* and *investment firms* and those in regulation 14 for *insurance undertakings*.

Note 2: In this table, the references to classes of insurance have the meaning given to them in Schedule 1 to the Regulated Activities Order.

Note 3: For the purposes of this table, 'authorised agent' means an agent or employee of the insurance undertaking who has authority (a) to bind the insurance undertaking in its relations with third parties, and (b) to represent the insurance undertaking in its relations with overseas regulators and courts in the EEA State of the branch.

Relevant UK details: branches of insurance undertakings

1 Table

Relevant UK details
(1) the names of the *UK firm's* managers and main agents in the *EEA State* concerned;
(2) particulars of any association which exists or is proposed to exist between:
(a) the directors and controllers of the *UK firm*;
(b) any *person* who will act as insurance broker, agent, loss adjuster or reinsurer for the *UK firm* in the *EEA State* concerned;
(3) the names of the principal reinsurers of business to be carried on in the *EEA State* concerned;
(4) the sources of business in the *EEA State* concerned (for, example, insurance brokers, agents, own employees or direct selling) with the approximate percentage expected from each of these sources;
(5) copies or drafts of:
(a) any separate reinsurance treaties covering business to be written in the *EEA State* concerned;
(b) any standard agreements which the *UK firm* will enter into with brokers or agents in the *EEA State* concerned;
(c) any agreements which the insurance undertaking will enter into with persons (other than employees of the *UK firm*) who will manage the business to be carried on in the *EEA State* concerned;
(6) in the case of a *UK firm* which intends to carry on long–term business:
(a) the technical bases which the actuary appointed in accordance with *SUP* 4.3.1R proposes to use for each class of business to be carried on in the *EEA State*, including the bases needed for calculating premium rates and mathematical reserves;
(b) a statement by the actuary so appointed whether he considers that the premium rates which will be used in the *EEA State* concerned are suitable;
(c) a statement by that actuary whether he agrees with the information provided under relevant EEA details (1)(e) and (2)(b) and (c);
(d) the technical bases used to calculate the statements and estimates referred to in relevant EEA details (2); and
(7) in the case of a *UK firm* which intends to carry on general business, copies or drafts of any agreements which the *UK firm* will have with main agents in the *EEA State* concerned.

Requisite and relevant details: Cross Border Services

1 Table

Type of firm	Requisite / relevant details
	Requisite Details
Investment firm	(a) details of the programme of operations, stating in particular the service or services the *UK firm* intends to provide.
	Relevant details (regulation 17)
Insurance Undertaking	(a) the *EEA State* in which the EEA activities are carried on, or are to be carried on; (b) the nature of the risks or commitments covered, or to be covered, in the *EEA State* concerned; (c) if the *firm* covers, or intends to cover, relevant motor vehicle risks (note 1): (i) the name and address of the claims representative (note 2); and (ii) details of the firm's membership of the national bureau and the national guarantee fund in the *EEA State* concerned; and (d) if the insurer covers, or intends to cover, health insurance, the technical bases used, or to be used, for calculating premiums in respect of such risks;

Chapter 14

Incoming EEA firms: changing details and cancelling qualification for authorisation.

14.1 Application and purpose

Application

14.1.1 G /1 This chapter applies to an *incoming EEA firm* which has established a *branch* in, or is providing *cross border services* into, the *United Kingdom* under one of the *Single Market Directives* and, therefore, qualifies for *authorisation* under Schedule 3 to the *Act*.

14.1.2 G /1 ■ SUP 14.6(Cancelling qualification for authorisation), which sets out how to cancel qualification for *authorisation* under the *Act,* also applies to:

(1) an *incoming Treaty firm* that qualifies for *authorisation* under Schedule 4 to the *Act*; and

(2) a *UCITS qualifier* that is an *authorised person* under Schedule 5 to the *Act;* a *UCITS qualifier* should, however, refer to *CIS* for full details of applicable *rules* and *guidance*.

14.1.3 G /1 (1) Under the Gibraltar Order made under section 409 of the *Act*, a Gibraltar firm is treated as an *EEA firm* under Schedule 3 to the *Act* if it is:

(a) authorised in Gibraltar under the *Insurance Directives*; or

(b) authorised in Gibraltar under the *Banking Consolidation Directive*.

(2) A Gibraltar insurance company is allowed to passport its services into the *United Kingdom* if it complies with the relevant notification procedures. Similarly, a Gibraltar *credit institution* is allowed to passport into the *United Kingdom* to provide banking services provided those services fall within items 1 to 6 in Annex 1 to the *Banking Consolidation Directive*. So, any references in ■ SUP 14 to *EEA State* or *EEA right* include references to Gibraltar and the entitlement under the Gibraltar Order.

Purpose

14.1.4 G /1 This chapter gives *guidance* on the *Act* and the *EEA Passport Rights Regulations* made under the *Act*, for an *incoming EEA firm* which has established a *branch* in, or is providing *cross border services* into, the *United Kingdom* and wishes to change the details of the *branch* or *cross border services*. These are known as *requisite details*, or for firms passporting under the *Insurance Directives* relevant details.

14.1.5 G /1 This chapter also explains how an *incoming EEA firm*, an *incoming Treaty firm* or a *UCITS qualifier* may cancel its qualification for *authorisation* under the *Act*.

14.1.6 G /1 This chapter does not, however, give *guidance* on the procedures for the establishment of a *branch* in, or the providing of *cross border services* into, the *United Kingdom* for the first time. So, an *incoming EEA firm* that wishes to change or supplement the nature of its operations in the *United Kingdom* from the providing of *cross border services* to the establishment of a *branch* (or vice versa) should refer to ■ AUTH 5 (Qualifying for authorisation under the Act).

14.1.7 G /1 In addition, the chapter does not give *guidance* on the procedures for making an application for *top-up permission,* to carry on *regulated activities* in the *United Kingdom* which are outside the scope of the *Single Market Directives* and for which the firm cannot exercise *Treaty rights*. *Incoming EEA firms* seeking a *top-up permission* should refer to ■ AUTH 5.

14.2 Changes to branch details

14.2.1 G /1 Where an *incoming EEA firm* is exercising an *EEA right* and has established a *branch* in the United Kingdom, the *EEA Passport Rights Regulations* govern any changes to the details of that *branch*. Where an *incoming EEA firm* has complied with the relevant provisions in the *EEA Passport Rights Regulations*, then the *firm's permission* given under Schedule 3 to the *Act* is to be treated as varied accordingly. All references to regulations in ■ SUP 14 are to the *EEA Passport Rights Regulations*.

Firms passporting under the Investment Services Directive and Banking Consolidation Directive

14.2.2 G /1

(1) Where an *incoming EEA firm*, passporting under the *Investment Services Directive* or *Banking Consolidation Directive*, has established a *branch* in the *United Kingdom*, regulation 4 states that it must not make a change in the *requisite details* of the *branch* (see ■ AUTH 5 Ann 1G) unless it has complied with the relevant requirements.

(2) The relevant requirements are set out in regulation 4(4) or, where the change arises from circumstances beyond the *incoming EEA firm's* control, in regulation 4(5).

14.2.3 G /1 Where the change arises from circumstances within the control of the *incoming EEA firm*, the requirements in regulation 4(4) are that:

(1) the *incoming EEA firm* has given notice to the *FSA* (see ■ SUP 14.4.1G) and to its *Home State regulator* stating the details of the proposed change;

(2) the *FSA* has received a notice stating those details; and

(3) either:

(a) the *FSA* has informed the firm that it may make the change; or

(b) the period of one month beginning with the date on which the *incoming EEA firm* gave the *FSA* the notice mentioned in (1) has elapsed.

14.2.4 G /1 Changes to the *requisite details* may lead to changes to the *applicable provisions* to which the *incoming EEA firm* is subject. The *FSA* will, as soon as practicable after receiving a notice in ■ SUP 14.2.2G or ■ SUP 14.2.3G, inform the incoming *EEA firm* of any consequential changes in the *applicable provisions* (regulation 4(6)).

Firms passporting under the Insurance Directives

14.2.5 G /1

(1) Where an *incoming EEA firm*, passporting under the *Insurance Directives* has established a *branch* in the *United Kingdom*, regulation 6 states that it must not make a change to the information referred to in regulation 2(5)(a) to (c) (see ■ AUTH 5 Annex 1G)unless it has complied with the relevant requirements.

(2) The relevant requirements are set out in regulation 6(4) or, where the change arises from circumstances beyond the *incoming EEA firm's* control, regulation 6(5).

14.2.6 G /1

Where the change arises from circumstances within the control of the *incoming EEA firm*, the relevant requirements in regulation 6(4) are that:

(1) the *incoming EEA firm* has given a notice to the *FSA* (see ■ SUP 14.4.1G) and to its *Home State regulator* stating the details of the proposed change;

(2) the *FSA* has received from the *Home State regulator* a notice stating that it has approved the proposed change;

(3) the period of at least one month beginning with the day on which the *incoming EEA firm* gave the *FSA* the notice in (1) has elapsed; and

(4) either:

(a) a further period of one month has elapsed; or

(b) the *FSA* has informed the *Home State regulator* of any consequential changes in the *applicable provisions*.

14.2.7 G /1

Under regulation 6(6) the *FSA* is required, as soon as practicable, to:

(1) acknowledge receipt of the documents sent under regulation 6(4) or 6(5); and

(2) in the case of a notice under regulation 6(5), inform the *incoming EEA firm's Home State regulator* of any consequential changes in the *applicable provisions*.

Changes arising from circumstances beyond the control of an incoming EEA firm

14.2.8 G /1

If the change arises from circumstances beyond the *incoming EEA firm's* control, the *firm* is required by regulation 4(5) (see ■ SUP 14.2.2G) or regulation 6(5) (see ■ SUP 14.2.5G(2)) to give a notice to the *FSA* (see ■ SUP 14.4.1G) and to its *Home State regulator* stating the details of the change as soon as reasonably practicable.

14.2.9 G /1

The *FSA* believes that for a change to arise from circumstances beyond the control of an *incoming EEA firm*, the circumstances should be outside the control of the firm as a whole and not just its *UK branch*. For example, the *FSA* considers that this provision would be unlikely to apply to circumstances in which lack of planning at the *incoming EEA firm's* head office resulted in a problem arising in a *UK branch* which was outside its control. In practice, therefore, use of this provision is likely to be rare.

14.3 Changes to cross border services

14.3.1 G /1 Where an *incoming EEA firm* passporting under the *Investment Services Directive* or *Insurance Directives* is exercising an *EEA right* and is providing *cross border services* into the *United Kingdom*, the *EEA Passport Rights Regulations* govern any changes to the details of those services. Where an *incoming EEA firm* has complied with the relevant provisions in the *EEA Passport Rights Regulations*, then the *firm's permission* given under Schedule 3 to the *Act* is to be treated as varied accordingly.

Firms passporting under the Investment Services Directive

14.3.2 G /1 Where an *incoming EEA firm*, passporting under the *Investment Service Directives*, is providing *cross border services* into the *United Kingdom*, it must not make a change in the details referred to in regulation 5(1) (see ■ AUTH 5 Ann 2G) unless it has complied with the relevant provisions in regulation 5(3).

14.3.3 G /1 The relevant provisions in regulation 5(3) are that:

(1) the *incoming EEA firm* has given a notice to the *FSA* (see ■ SUP 14.4.1G) and to its *Home State regulator* stating the details of the proposed change;

(2) if the change arises from circumstances beyond *the incoming EEA firm's* control, that firm has, as soon as practicable, given to the *FSA* and to its *Home State regulator* the notice in (1).

14.3.4 G /1 Under regulation 5(4), the *FSA* is required, as soon as practicable after receiving the notice in ■ SUP 14.3.3G, to inform the *incoming EEA firm* of any consequential changes in the *applicable provisions*.

Firms passporting under the Insurance Directives

14.3.5 G /1 If an *incoming EEA firm* passporting under the *Insurance Directives* is providing *cross border services* unto the *United Kingdom*, it must not make a change to the details referred to in regulation 7(1) (see ■ AUTH 5 Ann 2G) unless it has complied with the relevant provisions.

14.3.6 G /1 The relevant provisions are those set out in regulation 7(4), namely that:

(1) the *incoming EEA firm* has given a notice to its *Home State regulator* stating the details of the proposed change; and

(2) the *Home State regulator* has passed on to the *FSA* the information contained in that notice.

14.3.7 G /1 If the change arises from circumstances beyond the *incoming EEA firm*'s control, the *incoming EEA firm* is required to comply with the relevant provisions referred to in ■ SUP 14.3.6G as soon as reasonably practicable (whether before or after the change). See also ■ SUP 14.2.9, as relevant to *cross border services*.

14.4 Notices of proposed changes: form and delivery

14.4.1 G /1

(1) Regulation 7 to 9 of the Financial Services and makets Act 2000 (Services of Notices) Regulations 2001 (SI2001/1420) govern the manner in which notices may be submitted to the FSA under the *EEA Passport Rights Regulations*. In summary, they should be delivered or posted to the FSA's address (See (2) below) and will be treated as given when received by the FSA. They should not be sent by fax or electronic mail.

(2) The address for notices is: The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS

14.5 Variation of a top-up permission to carry on regulated activities outside the scope of the Single Market Directives

14.5.1 G /1 Where an *incoming EEA firm* has been granted *top-up permission* by the *FSA* and wishes to vary that *permission*, the *Act* requires it to apply to the *FSA* for a variation of that *top-up permission*.

14.5.2 G /1 Guidance on the procedures for applying for a variation of a *permission* granted under Part IV of the *Act*, including a *top-up permission*, is given in ■ SUP 6 (Applications to vary and cancel Part IV Permission).

14.6 Cancelling qualification for authorisation

Incoming EEA firms

14.6.1 G /1 Section 34 of the *Act* states that an *incoming EEA firm* no longer qualifies for *authorisation* under Schedule 3 to the *Act* if it ceases to be an *incoming EEA firm* as a result of:

(1) having its *EEA authorisation* withdrawn by its *Home State regulator;* or

(2) ceasing to have an *EEA right* in circumstances in which *EEA* authorisation is not required; this is relevant to a *financial institution* that is a subsidiary of a *credit institution* (of the kind mentioned in Article 19 of the *Banking Consolidation Directive*) which fulfils the conditions in articles 18 and 19 of that *Directive*.

14.6.2 G /1 In addition, under section 34(2) an *incoming EEA firm* may ask the *FSA* to give a direction cancelling its *authorisation* under Schedule 3 to the *Act*.

14.6.3 G /1 Regulation 8 states that where an *incoming EEA firm* which qualifies for *authorisation* under Schedule 3:

(1) has ceased, or is to cease, to carry on *regulated activities* in the *United Kingdom*; and

(2) gives notice of that fact to the *FSA*;

the notice is treated under regulation 8 as a request for cancellation of the *incoming EEA firm's* qualification for *authorisation* under Schedule 3 to the *Act* and so as a request under section 34(2) of the *Act*.

14.6.4 G /1 Where a *financial institution* (that is, a subsidiary of a *credit institution*) is passporting under the *Banking Consolidation Directive* (see ■ SUP 14.6.1G(2)), regulation 9(1) states that the *incoming EEA firm* may request the *FSA* to direct that its qualification for *authorisation* under Schedule 3 to the *Act* is cancelled from such date as may be specified in the direction.

14.6.5 G /1 The *FSA* may not, however, give a direction referred to in ■ SUP 14.6.4G unless:

(1) the *incoming EEA firm* has given notice to its *Home State regulator*; and

(2) the *FSA* has agreed with the *Home State regulator* that the direction should be given.

14.6.6 G /1 Regulation 9(3) requires that the date specified by the *FSA* in a direction referred to in ■ SUP 14.6.4G:

(1) must not be earlier than the date requested in the application; but

(2) subject to (1), is as agreed between the *FSA* and the *incoming EEA firm's Home State regulator*.

14.6.7 G /1 The *FSA* is required to send, as soon as practicable, a copy of the direction to the *incoming EEA firm* and to its *Home State regulator* (regulation 9(4)).

14.6.8 G /1 Where the *FSA* gives a direction referred to in ■ SUP 14.6.4G, the *incoming EEA firm* may apply for *Part IV permission* (see ■ AUTH 3 (Applications for Part IV Permission)) to take effect not earlier than the date that its qualification for *authorisation* is cancelled (as specified in the direction).

Incoming Treaty firms

14.6.9 G /1 Section 35 of the *Act* states that an *incoming Treaty firm* no longer qualifies for *authorisation* under Schedule 4 to the *Act* if its *Home State* authorisation is withdrawn.

14.6.10 G /1 In addition, under section 35(2) an *incoming Treaty firm* may ask the *FSA* to give a direction cancelling its *authorisation* under Schedule 4 to the *Act*.

UCITS qualifiers

14.6.11 G /1 Section 36 of the *Act* states that a *UCITS qualifier* may ask the *FSA* to give a direction cancelling its *authorisation* under paragraph 1(1) of Schedule 5 to the *Act*. *UCITS qualifiers* should also refer to ■ CIS 17.4.8G (Revocation of recognition: Schemes recognised under section 264 of the Act).

14.7 Cancellation of a top-up permission to carry on regulated activities outside the scope of the Single Market Directives

14.7.1 G /1 Where an *incoming EEA firm*, an *incoming Treaty firm* or a *UCITS qualifier* wishes to cancel its *top-up permission*, either with or without cancellation of its qualification for *authorisation* under Schedule 3, 4, or 5 to the *Act*, it should make an application following the procedures set out in ■ SUP 6 (Applications to vary and cancel Part IV Permission).

14.8 Further guidance

14.8.1 G /1 For further *guidance* on passporting procedures, an *incoming EEA firm* should contact the *FSA's* Passport Notifications Unit or their usual supervisory contact at the *FSA*. *Incoming Treaty firms* and *UCITS qualifiers* should speak to their usual supervisory contact at the *FSA* in the first instance

ANNEX C

15.8 Notification in respect of particular products and services

Management of occupational pension scheme assets

15.8.1 R /1 A *firm* which manages the assets of an *occupational pension scheme* must notify the *FSA* as soon as reasonably practicable if it receives any request or instruction from a trustee which it:

(1) knows; or

(2) on substantial grounds:

(a) suspects; or

(b) has cause reasonably to suspect;

is at material variance with the trustee's duties.

ANNEX D

SUP 16 Ann 1R: Banks' reporting forms

1. FORM B7
2. FORM BSD3
3. FORM LE2
4. FORM LR
5. FORM M1
6. FORM SLR1

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM B7 - Analysis of profits, large exposures and certain other miscellaneous information

Reporting institution ______________________________

Reporting date					**FSA Number ***						
eg	31	12	2001								

Please tick if this return is completed in Euros (Item A)………………………………………………………………………….. ☐

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ______________________________ Date ______________

Name: ______________________________ Position held: ______________________________

In the event of a query, the FSA or the Bank of England may, in the first instance, contact (block letters please)

______________________________ Tel No ______________________________ Ext ______________

Notes on Completion

1. If you have any difficulty in completing this return, please telephone your normal supervisory contact at the FSA.
2. Complete the return half yearly as at end of June and December. Institutions wishing to report at dates which coincide with the financial year end should apply to the FSA for a waiver (see SUP 8).
3. Enter amounts to the nearest thousand omitting £000s/€000s.
   Calculated amounts should be rounded to the nearest thousand, or two decimal places as appropriate.
4. For definitions of items, refer to the Guidance Notes for the form.
5. To assist with the scanning process, please enter all data neatly within the relevant boxes and do not enter the % symbol in any boxes on this return
6. Submit the form within **10 business days,** or **12 business days** for those institutions reporting electronically, clearly addressed to:
   The Financial Services Authority
   c/o Monetary and Financial Statistics Division
   Domestic Banking Statistics (HO-4)
   Bank of England
   Threadneedle Street
   London EC2R 8AH
7. Returns may also be delivered to the Works Gate at the Lothbury entrance of the Bank of England between 9.00am and 5.00pm, Monday to Friday. Envelopes should be clearly addressed as above.

FSA use only	**Logged in**	**Data entered**

September 2001

* This should be the FSA firm reference number. This box must be filled in by all reporters (SUP 16.3.7R).

B7.1.FS

CURRENT YEAR'S PROFIT AND LOSS

Item No		000s	000s
1	**TOTAL INCOME…** ………………………………………………………………		
1.1	Interest received and receivable………………………………………………..		
1.2	Dividend income………………………………………………………………..		
1.3	Fees and commissions received and receivable………………………………….		
1.4	Dealing profit/(loss)…………………………………………………………….		
1.5	Intra-group income……………………………………………………………..		
1.6	Other operating income including:………………………………………………….		
	of which:		
1.6A			
1.6B			
1.6C			
2	**TOTAL EXPENDITURE**…………………………………………………………….		
2.1	Interest paid and payable……………………………………………………….		
2.2	Fees and commissions paid and payable………………………………………….		
2.3	Staff expenses……………………………………………………………….		
2.4	Other administrative expenses…………………………………………………….		
2.5	Depreciation………………………………………………………………….		
2.6	Intra-group expenditure……………………………………………………….		
2.7	Other operating charges including:………………………………………………….		
	of which:		
2.7A			
2.7B			
2.7C			
3	**OPERATING PROFIT**…………………………………………………………….		
4	**TOTAL PROVISIONS** …………………………………………………………….		
4.1	Provisions for bad and doubtful debts…………………………………………….		
4.2	Provisions for contingent liabilities and commitments…………………………….		
4.3	Taxation………………………………………………………………………….		
4.4	Provisions / amounts written off fixed asset investments……………………….		
5	**CURRENT YEAR'S PROFIT AND LOSS**……………………………………………….		

B7.1.1

BALANCE SHEET ANALYSIS

Item No			000s Market valuation	000s Book value
6		**TOTAL INVESTMENTS** ………………………………...…………………		
6.1	Quoted:	British Government stock………………………………………………		
6.2		Other public sector (UK only)…………………………………………		
6.3		Equities………………………………………………………………………		
6.4		Overseas Government stock…………………………………………		
6.5		Other investments………………………………………………………		
6.6	Unquoted:	Public sector (UK only)…………………………………………………		
6.7		Equities………………………………………………………………………		
6.8		Overseas Public sector…………………………………………………		
6.9		Other investments………………………………………………………		

B7.1.2

OFF-BALANCE-SHEET ITEMS

Item No			000s	000s
7	**TOTAL CONTINGENT LIABILITIES**…………………………………………………			
7.1	Acceptances and endorsements……………………………………………………			
7.2	Guarantees and irrevocable letters of credit………………………………………..			
7.3	Assets pledged by the bank as collateral security………………………………….			
7.4	Other contingent liabilities……………………………………………………………….			
8	**TOTAL COMMITMENTS**………………………………………………………………			
8.1	Sale and option to resell transactions………………………………………………..			
8.2	Documentary credits and short-term trade-related transactions…………………….			
8.3	Forward asset purchases and forward deposits placed……………………………			
8.4	Undrawn facilities………………………………………………………………………..			
8.5	Other commitments……………………………………………………………………….			

9 EXCHANGE RATE AND INTEREST RATE RELATED CONTRACTS

			Less than 1 year	1 year and over
9.1	Exchange rate contracts	principal amount……………………………………………..		
9.2		credit equivalent……………………………………………..		
9.3	Interest rate contracts	principal amount……………………………………………..		
9.4		credit equivalent……………………………………………..		

Original exposure method / replacement cost method

9M Please tick if using replacement cost method

B7.1.3

MEMORANDUM ITEMS

Item No		mm	yyyy	000s Specific	000s General	000s Total
10	**PROVISIONS AGAINST BAD AND DOUBTFUL DEBTS**					
10.1	Previous balance as at (mm/yyyy)……………………..					
10.2	Adjustments for exchange rate movements…………..					
10.3	Charge (credit) to profit and loss*………………………					
10.4	Amounts written off……………………………………..					
10.5	Recoveries of amounts previously written off………..					
10.6	Other……………………………………………………					
10.7	Current balance…………………………………………					

* This should equal item 4.1

B7.1.4

11 TWENTY LARGEST EXPOSURES TO BANKS AND BUILDING SOCIETIES

000s

(irrespective of currency)

	Counterparty	Total Exposure*	of which the total exposure is: On balance sheet	Denominated in sterling	1 year or less to maturity	Specific bad debt provisions made against exposures reported in column 1
		1	2	3	4	5
	TOTAL					
A						
B						
C						
D						
E						
F						
G						
H						
J						
K						
L						
M						
N						
P						
Q						
R						
S						
T						
U						
V						

* Gross of bad debt provisions in column 5

B7.1.5

12 TWENTY LARGEST EXPOSURES TO OTHER COUNTERPARTIES
(irrespective of currency)

000s

	Counterparty	Total Exposure*	of which the total exposure is: On balance sheet	Denominated in sterling	1 year or less to maturity	Specific bad debt provisions made against exposures reported in column 1
		1	2	3	4	5
	TOTAL					
A						
B						
C						
D						
E						
F						
G						
H						
J						
K						
L						
M						
N						
P						
Q						
R						
S						
T						
U						
V						

* Gross of bad debt provisions in column 5

B7.1.6

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM BSD3 - Capital Adequacy Return

Reporting institution ______________________________

as at.. [ ] [ ] [ ] **FSA number *** [ ] [ ] [ ] [ ] [ ] [ ]

(eg 31 12 2001)

Unconsolidated/solo consolidated/consolidated - tick as appropriate

Unconsolidated [ ] Solo consolidated [ ] Consolidated [ ]

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ______________________ Date: ______________

Name: ______________________ Position held: ______________

In the event of a query, the FSA or the Bank of England may, in the first instance, contact (block letters please)

______________________ Tel No ______________ Ext ______________

Notes on Completion

1 If you have any difficulty in completing this return, please telephone your normal supervisory contact at the FSA for guidance.

2 Complete the return quarterly on an unconsolidated/solo consolidated basis as at end of March, June, September and December. Institutions wishing to report at dates which coincide with the financial year end should apply to the FSA for a waiver (see SUP 8).

3 Complete the return half-yearly on a consolidated basis as at end of June and December. Institutions wishing to report at dates which coincide with the financial year end should apply to the FSA for a waiver (see SUP 8).

4 Enter amounts to the nearest thousands omitting £000s/€000s.
Calculated amounts should be rounded to the nearest thousands, or two decimal places as appropriate.

5 For definitions of items, refer to the Guidance Notes

6 To assist with the scanning process, please enter all data neatly within the relevant boxes and do not enter the % symbol in any boxes on this return.

7 Submit within 10 business days for unconsolidated/solo consolidated returns and 20 business days for consolidated returns or 12 and 22 business days respectively for those institutions reporting electronically to:

The Financial Services Authority
c/o Monetary and Financial Statistics Division
Domestic Banking Statistics (HO-4)
Bank of England
Threadneedle Street
London EC2R 8AH

8 Returns may also be delivered to the Works Gate at the Lothbury entrance of the Bank of England between 9.00am and 5.00pm, Monday to Friday. Envelopes should be clearly addressed as above.

FSA use only	Logged in	Data entered

September 2001

* For unconsolidated/solo-consolidated entities, this should be the FSA firm reference number. For consolidated reports, this will be the FSA firm reference number of the institution on whom the requirement to report has been placed. This box must be filled in by all reporters (SUP 16.3.7R).

A1 Please tick if completion in Euros ....

SECTION A: BANKING BOOK

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	ASSETS				
A10	Cash……………………………………..			0%	
A20	Gold Bullion and coin…………………			0%	
A30	Cash items in course of collection…..			20%	
A40	Items in suspense……………………..				
A40.1	…………………………………………………………			0%	
A40.2	…………………………………………………………			10%	
A40.3	…………………………………………………………			20%	
A40.4	…………………………………………………………			50%	
A40.5	…………………………………………………………			100%	

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	LOANS, ADVANCES AND BILLS HELD				
A50	Central governments and central banks				
A50.1	…………………………………………………………………			0%	
A50.2	…………………………………………………………………			10%	
A50.3	…………………………………………………………………			20%	
A50.4	…………………………………………………………………			100%	
A60	Lending to group companies				
A60.1	…………………………………………………………………			0%	
A60.2	…………………………………………………………………			10%	
A60.3	…………………………………………………………………			20%	
A60.4	…………………………………………………………………			100%	
A70	Banks and investment firms (inc building societies & MDBs) ………………………				
A70.1	…………………………………………………………………			0%	
A70.2	…………………………………………………………………			10%	
A70.3	…………………………………………………………………			20%	
A70.4	…………………………………………………………………			100%	
A80	Public sector entities				
A80.1	…………………………………………………………………			0%	
A80.2	…………………………………………………………………			10%	
A80.3	…………………………………………………………………			20%	
A80.4	…………………………………………………………………			100%	
A90	Loans secured on residential property..			50%	
A100	Other loans, advances and bills held….				
A100.1	…………………………………………………………………			0%	
A100.2	…………………………………………………………………			10%	
A100.3	…………………………………………………………………			20%	
A100.4	…………………………………………………………………			100%	
A110	Unanalysed……………………………			100%	

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	INVESTMENTS				
A120	Central governments and central banks..				
		Banking Book Net Long			
A120.1	…………………			0%	
A120.2	…………………			10%	
A120.3	…………………			20%	
A120.4	…………………			100%	
A130	Public sector entities………………..				
A130.1	…………………………………………………………………….			10%	
A130.2	…………………………………………………………………….			20%	
A130.3	…………………………………………………………………….			100%	
A140	Banks (Unsubordinated FRNs etc)..				
A140.1	…………………………………………………………………….			10%	
A140.2	…………………………………………………………………….			20%	
A140.3	…………………………………………………………………….			100%	
A150	Mortgage backed securities…….				
A150.1	…………………………………………………………………….			10%	
A150.2	…………………………………………………………………….			20%	
A150.3	…………………………………………………………………….			50%	
A150.4	…………………………………………………………………….			100%	
A160	Investments in subsidiaries ……….. and associated companies			Deducted from Tier 1 & 2	
A170	Investments in bank and financial firm capital				
A171	……………………………………………			Deducted from Tier 1 & 2	
A172	Trading Book or other concession (from Form M1)………….			100%	
A180	Qualifying holdings / other investment.				
A180.1	…………………………………………………………………….			10%	
A180.2	…………………………………………………………………….			20%	
A180.3	…………………………………………………………………….			100%	
A180.4	Deductions from Form M1 ………………………………………………			Deducted from Tier 1 & 2	
A190	Unanalysed……………………………			100%	

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	OTHER ASSETS				
A200	Goodwill…………………………			Deducted from Tier 1	
A210	Other intangible assets………..				
A210.1	……………………………………..			100%	
A210.2	……………………………………..			Deducted from Tier 1	
A220	Own premises ………………………			100%	
A230	Other property/real estate………			100%	
A240	Operating leases…………………				
A240.1	………………………………………………………………..			0%	
A240.2	………………………………………………………………..			20%	
A240.3	………………………………………………………………..			100%	
A250	Plant, equipment and other fixed assets			100%	
A260	Other………………………………..				
A260.1	………………………………………………………………..			0%	
A260.2	………………………………………………………………..			10%	
A260.3	………………………………………………………………..			20%	
A260.4	………………………………………………………………..			100%	
A265	Assets consolidated via aggregation plus.				
A270	**Total assets** (items A10 to A265)……				

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	MEMORANDUM ITEMS				
A280	Connected lending of a capital nature..			Deducted from Tier 1 & Tier 2	
A280.1	………………………………………….			0%	
A280.2	………………………………………….			10%	
A280.3	………………………………………….			20%	
A280.4	………………………………………….			50%	
A280.5	………………………………………….			100%	
A290	Loans to directors, controllers and their associates…………..				
A290.1	…………………………………………………………………			0%	
A290.2	…………………………………………………………………			10%	
A290.3	…………………………………………………………………			20%	
A290.4	…………………………………………………………………			50%	
A290.5	…………………………………………………………………			100%	
A300	Loans to non-group companies with which directors and controllers are associated………………………………………..				
A300.1	…………………………………………………………………			0%	
A300.2	…………………………………………………………………			10%	
A300.3	…………………………………………………………………			20%	
A300.4	…………………………………………………………………			50%	
A300.5	…………………………………………………………………			100%	
A310	Direct credit substitutes given on behalf of connected counterparties……………………………………………………				
A310.1	…………………………………………………………………			0%	
A310.2	…………………………………………………………………			10%	
A310.3	…………………………………………………………………			20%	
A310.4	…………………………………………………………………			50%	
A310.5	…………………………………………………………………			100%	

Item No	Item	Banking Book Amount (000s)	Weight	Weighted Banking Book Amount (000s)
	MEMORANDUM ITEMS (Continued)			
A320	Investments in central governments and central banks………. (net short positions)			
A320.1	……………………………………………………………………….		0%	
A320.2	……………………………………………………………………….		10%	
A320.3	……………………………………………………………………….		20%	
A320.4	……………………………………………………………………….		100%	

Item No	Item	Col 1 Liabilities being secured at the reporting date	Col 2 Assets at the reporting date securing liabilities reported in column 1
A330	Encumbered assets……………………		
A330.1	Payment/settlement systems…………		
A330.2	Other……………………………………		
A335	Total assets of “deduction plus” subsidiaries		

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Credit Conversion Factor	Weight	Weighted Banking Book Amount (000s)
	OFF BALANCE SHEET ITEMS					
A340	Direct credit substitutes………………					
A340.1	…………………………………………………………………			100%	0%	
A340.2	…………………………………………………………………			100%	10%	
A340.3	…………………………………………………………………			100%	20%	
A340.4	…………………………………………………………………			100%	50%	
A340.5	…………………………………………………………………			100%	100%	
A340.6	…………………………………………			Deducted from Tier 1 & 2		
A340.7	Unanalysed………………………………………………………			100%	100%	
A350	Transaction-related contingents……..					
A350.1	…………………………………………………………………			50%	0%	
A350.2	…………………………………………………………………			50%	10%	
A350.3	…………………………………………………………………			50%	20%	
A350.4	…………………………………………………………………			50%	50%	
A350.5	…………………………………………………………………			50%	100%	
A350.6	Unanalysed………………………………………………………			50%	100%	
A360	Trade-related contingents…………					
A360.1	…………………………………………………………………			20%	0%	
A360.2	…………………………………………………………………			20%	10%	
A360.3	…………………………………………………………………			20%	20%	
A360.4	…………………………………………………………………			20%	50%	
A360.5	…………………………………………………………………			20%	100%	
A360.6	Unanalysed………………………………………………………			20%	100%	
A370	Sale and repurchase agreements…					
A370.1	…………………………………………………………………			100%	0%	
A370.2	…………………………………………………………………			100%	10%	
A370.3	…………………………………………………………………			100%	20%	
A370.4	…………………………………………………………………			100%	50%	
A370.5	…………………………………………………………………			100%	100%	
A370.6	…………………………………………			Deducted from Tier 1 & 2		
A370.7	Unanalysed………………………………………………………			100%	100%	

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Credit Conversio n Factor	Weight	Weighted Banking Book Amount (000s)
	OFF BALANCE SHEET ITEMS (CONTINUED)					
A380	Asset sales with recourse					
A380.1	………………………………………………………………………..			100%	0%	
A380.2	………………………………………………………………………..			100%	10%	
A380.3	………………………………………………………………………..			100%	20%	
A380.4	………………………………………………………………………..			100%	50%	
A380.5	………………………………………………………………………..			100%	100%	
A380.6	………………………………………………			Deducted from Tier 1 & 2		
A380.7	Unanalysed……………………………………………………………			100%	100%	
A390	Forward asset purchases					
A390.1	………………………………………………………………………..			100%	0%	
A390.2	………………………………………………………………………..			100%	10%	
A390.3	………………………………………………………………………..			100%	20%	
A390.4	………………………………………………………………………..			100%	50%	
A390.5	………………………………………………………………………..			100%	100%	
A390.6	………………………………………………			Deducted from Tier 1 & 2		
A390.7	Unanalysed……………………………………………………………			100%	100%	
A400	Forward deposits placed					
A400.1	………………………………………………………………………..			100%	0%	
A400.2	………………………………………………………………………..			100%	10%	
A400.3	………………………………………………………………………..			100%	20%	
A400.4	………………………………………………………………………..			100%	100%	
A400.5	Unanalysed			100%	100%	
A410	Uncalled partly-paid shares and…… securities					
A410.1	………………………………………………………………………..			100%	0%	
A410.2	………………………………………………………………………..			100%	10%	
A410.3	………………………………………………………………………..			100%	20%	
A410.4	………………………………………………………………………..			100%	100%	
A410.5	………………………………………………			Deducted from Tier 1 & 2		
A410.6	Unanalysed……………………………………………………………			100%	100%	

Item No	Item	Trading Book Amount (000s)	Banking Book Amount (000s)	Credit Conversion Factor	Weight	Weighted Banking Book Amount (000s)
	OFF BALANCE SHEET ITEMS (CONTINUED)					
A420	NIFs and RUFs					
A420.1	……………………………………………………………………..			50%	0%	
A420.2	……………………………………………………………………..			50%	10%	
A420.3	……………………………………………………………………..			50%	20%	
A420.4	……………………………………………………………………..			50%	100%	
A420.5	Unanalysed……………………………………………………			50%	100%	
A430	Endorsements of bills					
A430.1	Accepted by banks…………………………………………			0%	0%	
A430.2	Not accepted by banks			100%	20%	
A430.3	……………………………………………………………………..			100%	100%	
A430.4	Unanalysed……………………………………………………			100%	100%	
A440	Other commitments…………………..					
A440.1	1 year or less or unconditionally cancellable………………….			0%	0%	
A440.2	Over 1 year……………………………………………………			50%	0%	
A440.3	……………………………………………………………………..			50%	10%	
A440.4	……………………………………………………………………..			50%	20%	
A440.5	……………………………………………………………………..			50%	50%	
A440.6	……………………………………………………………………..			50%	100%	
A440.7	(report 50% of nominal values)…….			Deducted from Tier 1 & 2		
A440.8	Unanalysed……………………………………………………			50%	100%	
A452	OTC Derivative Contracts (Replacement Cost Methods) (from Appendix A-I)………………………………					
A462	Foreign Exchange Position (NSOP) [CAD Exempt banks only].				100%	
A472	Interest Rate Related Contracts (Original Exposure Method)………………………………………………..					
A474	Exchange Rate Related Contracts (Original Exposure Method)………………………………………………					

LIABILITIES

Item No	Item	Amount (000s)
	CORE CAPITAL - TIER 1	
A480	Ordinary shares/common stock (issued and paid up)………………………………………..	
A490	Perpetual non-cumulative preferred share/stock (issued and paid up)…………………….	
A500	Reserves…………………………………………………………………………………….	
A500.1	Share Premium Account…………………………………………………………………….	
A500.2	Disclosed prior years reserves (excluding item 580) etc………………………………….	
A500.3	Current year's retained profit verified by external audit……………………………………..	
A510	Current year's losses…………………………………………………………………………..	
A520	Minority Interests (in Tier One Capital)………………………………………………………..	
A530	Total of Items A480 to A520…………………………………………………………………….	
A540	Goodwill and other intangible assets (items A200 and A210.2)……………………………	
A550	**TOTAL TIER ONE CAPITAL** (Item A530 less A540)…………………………………	
	SUPPLEMENTARY CAPITAL - TIER 2	
A580	Fixed asset revaluation reserve……………………………………………………………….	
A590	General provisions……………………………………………………………………………..	
A600	Hybrid (debt/equity) instruments……………………………………………………………..	
A610	Subordinated term debt………………………………………………………………………..	
A620	Minority Interests (in Tier 2 capital)……………………………………………………………	
	LESS ADJUSTMENTS TO CAPITAL	
A621	Excess general provisions...	
A622	Excess Tier 2 subordinated debt...………….	
A623	Amortisation on Tier 2 subordinated debt...…..	
A624	Total of (items A580 to A620) less total of (items A621 to 623) ....…	
A625	Tier 2 capital in excess of the overall limit/Excess Tier 2 capital ....…	
A630	**TOTAL ELIGIBLE TIER TWO CAPITAL** (Items A624 less A625) ....…	

Item No	**Item**	Amount (000s)
	TRADING BOOK CAPITAL - TIER 3	
A631	Short term subordinated debt…………………………………………………………………..	
A633	Minority Interests (in short term subordinated debt)…………………………………………..	
LESS ADJUSTMENTS TO CAPITAL		
A635	Excess Tier 3 Subordinated debt...…	
A638	**TOTAL ELIGIBLE TIER THREE CAPITAL** (Items A631 plus A633 less A635).	
	OTHER CAPITAL	
A660	Total ineligible Tier 2 and Tier 3 capital..………	
A670	Other capital ………………………………………………………………………………..	

Item No	Item	Amount (000s)
	OTHER NON-CAPITAL LIABILITIES	
A680	Own bank notes issued……………………………………………….	
A690	Deposits……………………………………………………………….	
A690.1	*Banks*…………………………………………………………………..	
A690.2	*Other*……………………………………………………………………………………	
A700	Marketable securities issued………………………………………….	
A700.1	*Certificates of deposit*…………………………………………………..	
A700.2	*Promissory notes and bills*……………………………………………………………	
A700.3	*Unsubordinated FRNs and other long term paper*…………………..	
A710	Investments (gross short positions)…………………………………..	
A710.1	*Central governments and central banks*………………………………	
A710.2	*Other*…………………………………………………………………..	
A720	Liabilities in respect of sale and repurchase agreements…………	
A730	Tax provisions…………………………………………………………..	
A730.1	*Current tax*………………………………………………………………	
A730.2	*Deferred tax liabilities*…………………………………………………..	
A740	Provisions for dividends payable………………………………………	
A750	Other provisions……………………………………………………….	
A760	Other……………………………………………………………………..	
A760.1	*Credit items in course of settlement*…………………………………	
A760.2	*Other*…………………………………………………………………….	
A765	Liabilities consolidated via consolidated plus…………………………………….	
A770	**Total Liabilities** (Item A530, A630 and A638 to A765)…………………………….	

Item No	Item	Amount (000)s

MEMORANDUM ITEMS

A780	Deposits from connected customers……………………………………………………………………..	
A790	Subordinated term debt…………………………………………………………………………………	
A790.1	Mandatorily convertible subordinated bonds…………………………………………………………………	
A790.2	Dated preference shares and subordinated term loan capital…………………………………………..	

A790.21 *Repayable in full on maturity*

	Amount	Currency		Repayment Date mm	/ yyyy	Sterling equivalent	Amortis-ation factor	
a					/			
b					/			
c					/			
d					/			
e					/			
f					/			
g					/			
h					/			
I					/			
j					/			

A790.22 *Repayable in instalments*

	Amount	Currency		Repayment Date mm	/ yyyy	Sterling equivalent	Amortis-ation factor	
a					/			
b					/			
c					/			
d					/			
e					/			
f					/			
g					/			
h					/			
I					/			
j					/			

APPENDIX A-I: COUNTERPARTY EXPOSURE ON OTC DERIVATIVE CONTRACTS (BANKING BOOK)

REPLACEMENT COST METHOD (000s)

	OTC CONTRACTS Counterparty Risk Weight All maturities	Replacement cost	Potential Future Exposure	Credit Equivalent Amount	Weight	Weighted Amount
10	0%………………………				0%	
20	10%……………………..				10%	
30	20%……………………..				20%	
40	50%…………………….				50%	
50	Unanalysed…………..				50%	
60	TOTAL (to be carried forward to item A452)					

APPENDIX A-II: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (BANKING BOOK)

REPLACEMENT COST METHOD (000s)

	INTEREST RATE CONTRACTS	Notional Principal Amounts By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
10	0%..................................				
20	10%................................				
30	20%................................				
40	50%................................				
50	Exchange-traded...............				
	of which				
60	OTC Options.....................				
70	Exchange Traded Options				

	FOREIGN EXCHANGE CONTRACTS	Notional Principal Amounts By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
80	0%..................................				
90	10%................................				
100	20%................................				
110	50%................................				
120	Exchange-traded...............				
	of which				
130	OTC Options.....................				
140	Exchange Traded Options				

	EQUITY CONTRACTS	Notional Principal Amounts By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
150	0%..................................				
160	10%................................				
170	20%................................				
180	50%................................				
190	Exchange-traded...............				
	of which				
200	OTC Options.......................				
210	Exchange Traded Options.....				

APPENDIX A-II: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (BANKING BOOK)
Continued
REPLACEMENT COST METHOD (000S)

	INTEREST RATE CONTRACTS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
10	0%………………………………				
20	10%…………………………….				
30	20%…………………………….				
40	50%…………..…………………				

	FOREIGN EXCHANGE CONTRACTS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
80	0%………………………………				
90	10%…………………………….				
100	20%…………………………….				
110	50%…………………………….				

	EQUITY CONTRACTS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
150	0%………………………………				
160	10%…………………………….				
170	20%…………………………….				
180	50%…………….………………				

APPENDIX A-II: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (BANKING BOOK)
Continued
REPLACEMENT COST METHOD (000s)

Notional Principal Amounts By Residual Maturity

	COMMODITY CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
220	0%……………………………….				
230	10%…………………………….				
240	20%…………………………….				
250	50%……………..…………….				
260	Exchange Traded Options….				
	of which				
270	OTC Options				
280	Exchange Traded Options…..				

Notional Principal Amounts By Residual Maturity

	PRECIOUS METALS	<=1 Year	1-5 Years	over 5 Years	Total
290	0%……………………………….				
300	10%…………………………….				
310	20%…………………………….				
320	50%……………………………				
330	Exchange Traded Options….				
	of which				
340	OTC Options……….…..……				
350	Exchange Traded Options….				

Notional Principal Amounts By Residual Maturity

	TOTAL CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
360	0%……………………………….				
370	10%…………………………….				
380	20%…………………………….				
390	50%……………………………				
400	Exchange Traded Options….				
	of which				
410	OTC Options……………				
420	Exchange Traded Options….				

APPENDIX A-II: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (BANKING BOOK)

Continued

REPLACEMENT COST METHOD (000s)

	COMMODITY CONTRACTS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
220	0%………………………………				
230	10%……………………………				
240	20%……………………………				
250	50%……………………………				

	PRECIOUS METALS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
290	0%………………………………				
300	10%……………………………				
310	20%……………………………				
320	50%……………………………				

	TOTAL CONTRACTS	Replacement Cost By Residual Maturity <=1 Year	1-5 Years	over 5 Years	Total
360	0%………………………………				
370	10%……………………………				
380	20%……………………………				
390	50%……………………………				

APPENDIX A-III: EXPOSURES COLLATERALISED/GUARANTEED/NETTED

This return records the adjustments made by the reporting institution in respect of exposures collateralised or guaranteed or netting, where the collateral/guarantee has been used to reduce the risk weight coefficient of the underlying asset, eg show the amounts in column 3 transferred from item A100.4 (100% weight) to item A100.1 (0% weight).

		1 From Item Number	2 To Item Number	3 Amount Collateralised 000s	4 Amount Guaranteed 000s	5 Amount Netted 000s
1	A	.	.			
2	A	.	.			
3	A	.	.			
4	A	.	.			
5	A	.	.			
6	A	.	.			
7	A	.	.			
8	A	.	.			
9	A	.	.			
10	A	.	.			
11	A	.	.			
12	A	.	.			
13	A	.	.			
14	A	.	.			
15	A	.	.			
16	A	.	.			
17	A	.	.			
18	A	.	.			
19	A	.	.			
20	A	.	.			
21	A	.	.			
22	A	.	.			
23	A	.	.			
24	A	.	.			
25	A	.	.			
26	A	.	.			
27	A	.	.			
28	A	.	.			
29	A	.	.			
30	A	.	.			
31	A	.	.			
32	A	.	.			
33	A	.	.			
34	A	.	.			
35	A	.	.			

APPENDIX A-IV: CURRENT YEAR'S PROFIT & LOSS

based on management accounts to ....(dd/mm/yyyy) [ ] / [ ] / [ ]

Quarterly reporters (input reporting period as appropriate: Qtr1=1, Qtr2=2, etc) ....

Half-yearly reporters (input reporting period as appropriate: H1=1, H2=2) ....

Item		000s	000s	000s
	INCOME			
10	Interest received and receivable…..			
20	Interest paid and payable…………..			
30	Net interest income			
40	Profit/(Loss) on foreign exchange dealing			
50	Profit/(Loss) on investments held for dealing			
60	Sub-total ………………………………………………………………………………………			
70	Income from fees and commissions…………………………………………………………………			
80	Dividends/share of profits from subsidiary and associated companies…………………………			
90	Profit/(Loss) on fixed assets (inc. revaluation of fixed assets)…………………………………			
100	Other Income……………………………………………………………………………………			
	EXPENSES			
110	Operation expenses for: staff……………………………………			
120	occupancy……………………………			
130	other…………………………………..			
140	Net Charge/(credit) provisions: capital…………………………………			
150	suspended interest…………………..			
160	Provisions for: taxation………………………………			
170	dividends……………………………..			
180	Sub-total…………………………………………………………………………………………			
190	Current year's Profit/(Loss)………………………………………………………………………			
200	Extraordinary items………………………………………………………………………………			
210	**TOTAL**…………………………………………………………………………………………			

APPENDIX A-V: PROVISIONS AGAINST BAD AND DOUBTFUL DEBTS AND INVESTMENTS

Item No	Item	Col 1 000s SPECIFIC	Col 2 000s GENERAL	Col 3 000s TOTAL
10	Previous balance as at.. (mm / yyyy) [ ] / [ ]			
20	Adjustments for acquisitions/disposals.................			
30	Adjustments for exchange rate movements..........			
40	Charge/credit to profit & loss *..............................			
50	Amounts written off (gross)..................................			
60	Recoveries of amounts previously written off........			
70	Other..			
80	Current balance **..			

Specific provisions against bad and doubtful debts

90	for assets of 0% weight..	
100	for assets of 10% weight..	
110	for assets of 20% weight..	
120	for assets of 50% weight..	
130	for assets of 100% weight..	
140	for assets deducted from capital base..	
150	Total specific provisions...	

160	Gross value of loans against which specific provisions have been made.............................	

SPECIFIC PROVISIONS AGAINST THE VALUE OF INVESTMENTS OTHER THAN TRADING INVESTMENTS

170	for assets of 0% weight..	
180	for assets of 10% weight..	
190	for assets of 20% weight..	
200	for assets of 50% weight..	
210	for assets of 100% weight..	
220	for assets deducted from capital base..	
230	Total specific provisions against investments...	

* Column 3 to equal items 140 & 150 on Form BSD3 (Appendix A-IV)

** Column 2 to equal items A590 in Section A, column 1 to equal items 150 and 230 in this section (from November 2001)

SECTION B: TRADING BOOK

NON-MARKET RISK IN THE TRADING BOOK

		Amount 000s		Weighted amount 000s		Capital Requirement 000s
COUNTERPARTY RISK ARISING FROM:						
B10	Free Deliveries……					
B10.1	……		0%		8%	
B10.2	……		10%		8%	
B10.3	……		20%		8%	
B10.4	……		100%		8%	
B20	Margins……					
B20.1	……		0%		8%	
B20.2	……		10%		8%	
B20.3	……		20%		8%	
B20.4	……		100%		8%	
B30	Fees……					
B30.1	……		0%		8%	
B30.2	……		10%		8%	
B30.3	……		20%		8%	
B30.4	……		100%		8%	
B40	Other counterparty risk in the trading book……					
B40.1	……		0%		8%	
B40.2	……		10%		8%	
B40.3	……		20%		8%	
B40.4	……		100%		8%	
B50	Unsettled transactions (from Appendix B-I)……					
B60	OTC Derivatives (from Appendix B-II)……				8%	
B70	Undocumented repos/reverse repos (from Appendix B-IV)……				8%	
B80	Documented repos (from Appendix B-IV)……				8%	
B90	Documented reverse repos (from Appendix B-IV)……				8%	
B100	**TOTAL COUNTERPARTY RISK IN THE TRADING BOOK**……					

LARGE EXPOSURES IN THE TRADING BOOK

		Amount 000s
B110	Adjusted Large Exposures Capital Base (from Form LE2 Part 5)…………………………….	

		Specific Risk Charge (000s)		Capital Requirement (000s)
B120	Excesses that have existed for 10 days or less………………		200%	
B130	Excesses that have existed for more than 10 days…………			
B130.1	>25% and <=40% of adjusted capital base……………………		200%	
B130.2	>40% and <=60% of adjusted capital base…………………..		300%	
B130.3	>60% and <=80% of adjusted capital base…………………..		400%	
B130.4	>80% and <=100% of adjusted capital base………………….		500%	
B130.5	>100% and <=250% of adjusted capital base………………..		600%	
B130.6	>250%…………………………………………………………….		900%	
B140	**CAPITAL REQUIREMENT FOR LARGE EXPOSURES**………			

MARKET RISKS IN THE TRADING BOOK

		Capital Requirement (000)s
I	**STANDARD APPROACH**	
	FOREIGN EXCHANGE RISK	
B150	For basic approach (from Appendix B-V)………………………………………………….	
B160	For backtesting approach (from Appendix B-V)…………………………………………	
B170	Additional Capital Charge for Options…………………………………………………..	
B170.1	Using Carve Out…………………………………………………………………………….	
B170.2	Using CAD1 Models Approach……………………………………………………………..	
B180	**Total foreign exchange risk………………………………………………………………….**	

	INTEREST RATE POSITION RISK	Amount (000s)	Specific Risk Weights	Capital Requirement (000)s
B190	Specific Risk...……………..			
B190.1	………………………………………………………………………..		0.00%	
B190.2	………………………………………………………………………..		0.25%	
B190.3	………………………………………………………………………..		1.00%	
B190.4	………………………………………………………………………..		1.60%	
B190.5	………………………………………………………………………..		8.00%	
B200	General Market Risk (from Appendix B-VI)………………………………………………			
B210	Additional Capital Charge for Options:………………………………………………….			
B210.1	Using Carve Out………………………………………………………………………..			
B210.2	Using CAD1 Models Approach………………………………………………………….			
B215	Embedded Interest Rate Risk in Equity Derivatives…………………………………….			
B220	**Total interest rate position risk**…………………………………………………………..			

	EQUITY POSITION RISK	Capital Requirement (000s)
B230	Specific Risk (from Appendix B-VII)…………………………………………………….	
B240	General Market Risk (from Appendix B-VII)…………………………………………….	
B250	Additional Capital Charge for Options:…………………………………………………..	
B250.1	Using Carve Out………………………………………………………………………..	
B250.2	Using CAD1 Models Approach……………………………………………………………..	
B270	**Total equity position risk**…………………………………………………………………….	

COMMODITY POSITION RISK

		Capital Requirement (000s)
B280	Commodity position risk (from Appendix B-VIII)………………………………………………..	
B282	Additional Capital Charge for Options:……………………………………………………….	
B282.1	Using Carve Out…………………………………………………………………………….	
B282.2	Using CAD1 Models Approach……………………………………………………………….	
B284	**Total commodity position risk**…………………………………………………………….	

II INTERNAL MODELS APPROACH

			Capital Requirement (000s)
B290	Previous day's value at risk...…		
B300	Average of previous 60 days' value at risk ....… …		
B310	Multiplication factor (rounded to 2 decimal places and multiplied by 100) .		
B320	Capital requirement for general market risk ....…		
B330	Capital surcharge for specific risk ....…		
B340	**Total capital requirement for risks subject to internal models** (items B320 + B330) ….		

APPENDIX B-I: COUNTERPARTY RISK ON UNSETTLED TRANSACTIONS (000s)

Standard Method (Capital Charge based on potential loss)

	Unsettled Transactions	Potential Loss		Capital Charge
10	0 - 4 days…………………………		0%	
20	5 - 15 days………………………		8%	
30	16 - 30 days……………………		50%	
40	31 - 45 days……………………		75%	
50	46 or more days………………..		100%	
60	Total………………………………………………………………			

Alternative Method (Capital Charge based on agreed settlement price)

	Unsettled Transactions	Agreed Settlement price		
70	0 - 4 days………………………..		0%	
80	5 - 15 days………………………		0.5%	
90	16 - 30 days……………………		4%	
100	31 - 45 days……………………		9%	
	46 or more days	Use Standard Method		
110	Total………………………………………………………………			
120	Total unsettled transactions……………………………………			

APPENDIX B-II: COUNTERPARTY EXPOSURE ON OTC DERIVATIVE CONTRACTS (TRADING BOOK)
REPLACEMENT COST METHOD (000s)

	OTC CONTRACTS Counterparty Risk Weight All maturities	Replacement cost	Potential Future Exposure	Credit Equivalent Amount	Weight	Weighted Amount
10	0%…………………..				0%	
20	10%…………………				10%	
30	20%………………..				20%	
40	50%………………..				50%	
50	Unanalysed………				50%	
60	TOTAL……………					

APPENDIX B-III: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (TRADING BOOK)
REPLACEMENT COST METHOD (000s)

Notional Principal Amounts By Residual Maturity

	INTEREST RATE CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
10	0%………………………				
20	10%……………………..				
30	20%……………………..				
40	50%…………………….				
50	Exchange-traded……..				
	of which				
60	OTC Options…………..				
70	Exchange Traded Options				

Notional Principal Amounts By Residual Maturity

	FOREIGN EXCHANGE CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
80	0%………………………				
90	10%……………………..				
100	20%……………………..				
110	50%…………………….				
120	Exchange-traded……..				
	of which				
130	OTC Options…………..				
140	Exchange Traded Options				

Notional Principal Amounts By Residual Maturity

	EQUITY CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
150	0%………………………				
160	10%……………………..				
170	20%……………………..				
180	50%…………………….				
190	Exchange-traded……..				
	of which				
200	OTC Options…………..				
210	Exchange Traded Options				

APPENDIX B-III: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (TRADING BOOK) - continued

REPLACEMENT COST METHOD (000s)

Replacement Cost By Residual Maturity

	INTEREST RATE CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
10	0%………………………				
20	10%……………………..				
30	20%……………………..				
40	50%…………………….				

Replacement Cost By Residual Maturity

	FOREIGN EXCHANGE CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
80	0%………………………				
90	10%……………………..				
100	20%……………………..				
110	50%…………………….				

Replacement Cost By Residual Maturity

	EQUITY CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
150	0%………………………				
160	10%……………………..				
170	20%……………………..				
180	50%…………………….				

APPENDIX B-III: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (TRADING BOOK) - continued
REPLACEMENT COST METHOD (000s)

Notional Principal Amounts By Residual Maturity

	COMMODITY CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
220	0%………………………				
230	10%……………………..				
240	20%……………………..				
250	50%…………………….				
260	Exchange-traded……..				
	of which				
270	OTC Options…………..				
280	Exchange Traded Options				

Notional Principal Amounts By Residual Maturity

	PRECIOUS METALS	<=1 Year	1-5 Years	over 5 Years	Total
290	0%………………………				
300	10%……………………..				
310	20%……………………..				
320	50%…………………….				
330	Exchange-traded……..				
	of which				
340	OTC Options…………..				
350	Exchange Traded Options				

Notional Principal Amounts By Residual Maturity

	TOTAL CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
360	0%………………………				
370	10%……………………..				
380	20%……………………..				
390	50%…………………….				
400	Exchange-traded……..				
	of which				
410	OTC Options…………..				
420	Exchange Traded Options				

APPENDIX B-III: SUPPLEMENTARY INFORMATION ON DERIVATIVE CONTRACTS (TRADING BOOK) - continued
REPLACEMENT COST METHOD (000s)

Replacement Cost By Residual Maturity

	PRECIOUS METALS	<=1 Year	1-5 Years	over 5 Years	Total
220	0%……………………….				
230	10%……………………..				
240	20%……………………..				
250	50%…………………….				

Replacement Cost By Residual Maturity

	PRECIOUS METALS	<=1 Year	1-5 Years	over 5 Years	Total
290	0%……………………….				
300	10%……………………..				
310	20%……………………..				
320	50%…………………….				

Replacement Cost By Residual Maturity

	TOTAL CONTRACTS	<=1 Year	1-5 Years	over 5 Years	Total
360	0%……………………….				
370	10%……………………..				
380	20%……………………..				
390	50%…………………….				

APPENDIX B-IV: COUNTERPARTY EXPOSURE FOR REPOS, REVERSE REPOS AND SIMILAR TRANSACTIONS (000s)

	UNDOCUMENTED REPOS/ REVERSE REPOS	1 Replacement Cost	2 Potential Future Credit Exposure	3 Amount at Risk (1 + 2)	4 Weight	5 Weighted Amount (3 * 4)
10	……………………………				0%	
20	……………………………				10%	
30	……………………………				20%	
40	……………………………				100%	
50	TOTAL……………………					

	DOCUMENTED REPOS	1 Market value of securities sold or lent	2 Market value of collateral taken	3 Amount at Risk (1 - 2)	4 Weight	5 Weighted Amount (3 * 4)
60	……………………………				0%	
70	……………………………				10%	
80	……………………………				20%	
90	……………………………				100%	
100	TOTAL……………………					

	DOCUMENTED REVERSE REPOS	1 Market value of collateral given	2 Market value of securities bought or borrowed	3 Amount at Risk (1 - 2)	4 Weight	5 Weighted Amount (3 * 4)
110	……………………………				0%	
120	……………………………				10%	
130	……………………………				20%	
140	……………………………				100%	
150	TOTAL……………………					

APPENDIX B-V: CAPITAL REQUIREMENT FOR FOREIGN EXCHANGE RISK (000s)

			Column 1 Net Overall Long (short) Position	Column 2 Positions to be treated under basic method	Column 3 Positions being treated under backtesting approach
BASE CURRENCY			(1 = 2 + 3)		
Other Currencies					
Belgium/Luxembourg Francs	BE	BELG			
Canadian Dollars	CA	CANA			
Danish Kronor	DK	DENM			
EUROS	ER	EURO			
French Francs	FR	FRAN			
Deutschmarks	DE	RGER			
Irish Pounds	IE	EIRE			
Italian Lire	IT	ITAL			
Japanese Yen	JP	JAPA			
Netherlands Guilders	NL	NETH			
Spanish Pesetas	ES	SPAI			
Swedish Kroner	SE	SWED			
Swiss Francs	CH	SWIT			
Sterling	UK	UKIN			
US Dollars	US	USA			
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
………………………………					
Other Material currencies ……	U9	UNAL			
Other Aggregate Net Long Positions		OTHL			
Other Aggregate Net Short Positions		OTHS			
TOTAL			ZERO		
Higher of aggregate net short/long open positions					
GOLD	GO	GOLD			
SUM OF GROSS POSITION………………………………………					
CAPITAL REQUIREMENT…………………………………………..					

APPENDIX B-VI: CAPITAL REQUIREMENT INTEREST RATE GENERAL MARKET RISK (000s)

			1 Zone One Net Long position	2 Zone One Net Short Position	3 Zone Two Net Long position	4 Zone Two Net Short Position	5 Zone Three Net Long position
Australia	AU	AUSL					
Austria	AT	AUSR					
Belgium	BE	BELG					
Brazil	BR	BRAZ					
Canada	CA	CANA					
Denmark	DK	DENM					
EUROS	ER	EURO					
Finland	FI	FINL					
France	FR	FRAN					
Germany	DE	RGER					
Greece	GR	GREE					
Ireland	IE	EIRE					
Italy	IT	ITAL					
Japan	JP	JAPA					
Malaysia	MY	MALA					
Mexico	MX	MEXI					
Netherlands	NL	NETH					
Norway	NO	NORW					
Portugal	PT	PORT					
Singapore	SG	SING					
South Africa	RA	SAFR					
Spain	ES	SPAI					
Sweden	SE	SWED					
Switzerland	CH	SWIT					
Turkey	TR	TURK					
UK	UK	UKIN					
Sterling Index Linked Gilts							
USA	US	USA					
Other Material Countries							
....							
....							
....							
....							
....							
....							
....							
....							
....							
....							
....							
Other...........	U9	UNAL					
Non Material Countries	XF	NONM					

TOTAL ....

APPENDIX B-VI: CAPITAL REQUIREMENT INTEREST RATE GENERAL MARKET RISK - continued (000s)

			6 Zone Three Net Short Position	7 Maturity based approach (Method one)	8 Duration based Approach (Method two)	9 Simplified Method	10 Total General Market Interest Rate Risk (7 + 8 + 9)
Australia	AU	AUSL					
Austria	AT	AUSR					
Belgium	BE	BELG					
Brazil	BR	BRAZ					
Canada	CA	CANA					
Denmark	DK	DENM					
EUROS	ER	EURO					
Finland	FI	FINL					
France	FR	FRAN					
Germany	DE	RGER					
Greece	GR	GREE					
Ireland	IE	EIRE					
Italy	IT	ITAL					
Japan	JP	JAPA					
Malaysia	MY	MALA					
Mexico	MX	MEXI					
Netherlands	NL	NETH					
Norway	NO	NORW					
Portugal	PT	PORT					
Singapore	SG	SING					
South Africa	RA	SAFR					
Spain	ES	SPAI					
Sweden	SE	SWED					
Switzerland	CH	SWIT					
Turkey	TR	TURK					
UK	UK	UKIN					
Sterling Index Linked Gilts							
USA	US	USA					
Other Material Countries							
....							
....							
....							
....							
....							
....							
....							
....							
....							
....							
....							
Other..........	U9	UNAL					
Non Material Countries	XF	NONM					
TOTAL	....						

APPENDIX B-VII: EQUITY POSITION RISK (000s)

			Gross Positions for Specific Risk			
			1	2	3	4
Positions, including positions in indices, allocated by country			Positions attracting 8% specific / Execution risk	Positions attracting 4% specific/ Execution risk	Positions attracting 0% execution risk	Total Gross Equity Positions for specific / Execution risk (1 + 2 + 3)
Australia	AU	AUSL.....				
Belgium	BE	BELG.....				
Canada	CA	CANA.....				
France	FR	FRAN.....				
Germany	DE	RGER....				
Japan	JP	JAPA.....				
Netherlands	NL	NETH.....				
Spain	ES	SPAI......				
Sweden	SE	SWED....				
Switzerland	CH	SWIT......				
United Kingdom	UK	UKIN......				
United States	US	USA.......				
Denmark	DK	DENM....				
Finland	FI	FINL.......				
Greece	GR	GREE.....				
Ireland	IE	EIRE.......				
Italy	IT	ITAL........				
Luxembourg	LU	LUXE......				
Portugal	PT	PORT......				
....						
....						
....						
....						
....						
Other material ctry.	U9	UNAL				
Non material ctry...	XF	NONM				
TOTAL.....................................						

APPENDIX B-VII: EQUITY POSITION RISK - continued (000s)

Positions, including positions in indices, allocated by country			Positions for General Market Risk 5 Excess amount of concentrated positions (Gross)	6 Other Positions	7 Total Equity Positions for General Market Risk (5 + 6)
Australia	AU	AUSL.....			
Belgium	BE	BELG.....			
Canada	CA	CANA.....			
France	FR	FRAN.....			
Germany	DE	RGER....			
Japan	JP	JAPA.....			
Netherlands	NL	NETH.....			
Spain	ES	SPAI......			
Sweden	SE	SWED....			
Switzerland	CH	SWIT......			
United Kingdom	UK	UKIN......			
United States	US	USA.......			
Denmark	DK	DENM....			
Finland	FI	FINL.......			
Greece	GR	GREE.....			
Ireland	IE	EIRE.......			
Italy	IT	ITAL........			
Luxembourg	LU	LUXE......			
Portugal	PT	PORT......			
....					
....					
....					
....					
....					
Other material ctry.	U9	UNAL			
Non material ctry...	XF	NONM			
TOTAL	......				

APPENDIX B-VIII: COMMODITY POSITION RISK (000s)

	Commodity types	Positions			Capital Charges		
		Column A **Gross Long**	Column B **Gross Short**	Column C **Net Open position**	Column D **Simplified approach**	Column E **Maturity approach**	Column F **Total charges**
10	Precious metals (excluding gold) ..						
20	Base metals …..						
30	Energy contracts (including oil) ….						
40	Other contracts ..						
50	Total capital requirement …………………………………………………………						
	Top ten commodities by capital charge						
60	1 ……………………						
70	2 ……………………						
80	3 ……………………						
90	4 ……………………						
100	5 ……………………						
110	6 ……………………						
120	7 ……………………						
130	8 ……………………						
140	9 ……………………						
150	10 …………………						

APPENDIX B-IX: BACKTESTING RESULTS

Multiplication factor

10	Minimum multiplication factor (rounded to 2 decimal places x 100, ie input as integers)	
20	Number of regulatory backtesting exceptions recorded over last 250 business days.	
30	Plus factor (rounded to 2 decimal places x 100, ie input as integers)	
40	Multiplication factor (items 10 and 30)	

Backtesting on total portfolio

50	Number of recorded backtesting exceptions in last reporting period	

51.0 Exceptions recorded during last reporting period:

	Date (dd / mm / yyyy)	VaR measure (note 1) (000s)	Actual loss (note 2) (000s)
51.01	/ /		
51.02	/ /		
51.03	/ /		
51.04	/ /		
51.05	/ /		
51.06	/ /		
51.07	/ /		
51.08	/ /		
51.09	/ /		
51.10	/ /		
51.11	/ /		
51.12	/ /		

52.0 Five largest daily losses over last reporting period:

	Date (dd / mm / yyyy)	VaR measure (note 1) (000s)	Actual loss (note 2) (000s)
52.1	/ /		
52.2	/ /		
52.3	/ /		
52.4	/ /		
52.5	/ /		

53.0 Five largest backtesting VaRs1 over last reporting period:

	Date (dd / mm / yyyy)	VaR measure (note 1) (000s)	Actual loss (note 2) (000s)
53.1	/ /		
53.2	/ /		
53.3	/ /		
53.4	/ /		
53.5	/ /		

Note 1. The VaR measure for backtesting purposes should be calibrated to a one-day holding period and a 99% one-tailed confidence limit.

Note 2 Actual profit/loss is the day's actual P&L arising from trading activities within the scope of the model.

Backtesting on portfolios for specific risk

60 Number of backtesting exceptions on interest rate portfolio in last reporting period ....

60.1 Exceptions reported during last reporting period:

	Date (dd / mm / yyyy)			VaR measure (note 3) (000s)	Actual loss (note 4) (000s)
60.11	/	/			
60.12	/	/			
60.13	/	/			
60.14	/	/			
60.15	/	/			
60.16	/	/			
60.17	/	/			
60.18	/	/			
60.19	/	/			
60.20	/	/			
60.21	/	/			
60.22	/	/			

If the reporting institution conducts backtesting on a sub-portfolio level, this should be repeated for each sub-portfolio that is subject to interest rate specific risk

70 Number of backtesting exceptions on equities portfolio in last reporting period ....

70.1 Exceptions reported during last reporting period:

	Date (dd / mm / yyyy)			VaR measure (note 3) (000s)	Actual loss (note 4) (000s)
70.11	/	/			
70.12	/	/			
70.13	/	/			
70.14	/	/			
70.15	/	/			
70.16	/	/			
70.17	/	/			
70.18	/	/			
70.19	/	/			
70.20	/	/			
70.21	/	/			
70.22	/	/			

If the reporting institution conducts backtesting on a sub-portfolio level, this should be repeated for each sub-portfolio that is subject to interest rate specific risk

Note 3 This is the VaR measure (99% confidence limit, one-day holding period) related to specific risk on the sub-portfolio.
Note 4 This is the actual loss related to specific risk on the sub-portfolio.

APPENDIX B-X: EXPOSURES COLLATERALISED/GUARANTEED/NETTED

This return records the adjustments made by the reporting institution in respect of exposures collateralised or guaranteed or netting, where the collateral/guarantee has been used to reduce the risk weight coefficient of the underlying asset, eg show the amounts in column 3 transferred from item B40.4 (100% weight) to item B40.1 (0% weight).

		1 From Item Number	2 To Item Number	3 Amount Collateralised 000s	4 Amount Guaranteed 000s	5 Amount Netted 000s
1	B	.	.			
2	B	.	.			
3	B	.	.			
4	B	.	.			
5	B	.	.			
6	B	.	.			
7	B	.	.			
8	B	.	.			
9	B	.	.			
10	B	.	.			
11	B	.	.			
12	B	.	.			
13	B	.	.			
14	B	.	.			
15	B	.	.			
16	B	.	.			
17	B	.	.			
18	B	.	.			
19	B	.	.			
20	B	.	.			
21	B	.	.			
22	B	.	.			
23	B	.	.			
24	B	.	.			
25	B	.	.			
26	B	.	.			
27	B	.	.			
28	B	.	.			
29	B	.	.			
30	B	.	.			
31	B	.	.			
32	B	.	.			
33	B	.	.			
34	B	.	.			
35	B	.	.			

SECTION C - CONSOLIDATION VIA AGGREGATION PLUS
(INTO THE TRADING BOOK)

INVESTMENT FIRM SUBSIDIARIES		A FSA=1 or local regulator's rules= 0 applied	B Trigger ratio applied = (% to 2d.px100)	C (000)s Trigger capital requirement	D (000)s Notional risk weighted assets	E (000)s Incremental capital for large exposures
C10.1	....					
C10.2	....					
C10.3	....					
C10.4	....					
C10.5	....					
C10.6	....					
C10.7	....					
C10.8	....					
C10.9	....					
C10.10	....					
C10.11	....					
C10.12	....					
C10.13	....					
C10.14	....					
C10	TOTAL FOR INVESTMENT FIRMS............					
BANKING SUBSIDIARIES						
C20.1	....					
C20.2	....					
C20.3	....					
C20.4	....					
C20.5	....					
C20.6	....					
C20.7	....					
C20.8	....					
C20.9	....					
C20.10	....					
C20.11	....					
C20.12	....					
C20.13	....					
C20.14	....					
C20	TOTAL FOR BANKING SUBSIDIARIES..............					
C30	**GRAND TOTAL**					

SECTION C - CONSOLIDATION VIA AGGREGATION PLUS (INTO THE TRADING BOOK) - continued

CAPITAL REQUIREMENT

INVESTMENT FIRM SUBSIDIARIES	F (000)s MR against which Tier 3 may be held	G (000)s MR against which Tier 3 may not be held	H (000)s Non-MR against which Tier 3 may be held	J (000)s Non-MR against which Tier 3 may not be held	K (no) Plus factor (nox100)	L (000)s Target capital requirement
C10.1 ………………						
C10.2 ………………						
C10.3 ………………						
C10.4 ………………						
C10.5 ………………						
C10.6 ………………						
C10.7 ………………						
C10.8 ………………						
C10.9 ………………						
C10.10 ………………						
C10.11 ………………						
C10.12 ………………						
C10.13 ………………						
C10.14 ………………						
C10 TOTAL…..						
BANKING SUBSIDIARIES						
C20.1 ………………						
C20.2 ………………						
C20.3 ………………						
C20.4 ………………						
C20.5 ………………						
C20.6 ………………						
C20.7 ………………						
C20.8 ………………						
C20.9 ………………						
C20.10 ………………						
C20.11 ………………						
C20.12 ………………						
C20.13 ………………						
C20.14 ………………						
C20 TOTAL…..						
C30 GRAND TOTAL						

SECTION D - CAPITAL ADEQUACY SUMMARY

		000s
	CAPITAL BASE	
D10	Tier 1 (A550)	
D20	Eligible Tier 2 (A630)	
D30	Eligible Tier 3 (A638)	
D40	TOTAL ELIGIBLE CAPITAL (D10 to D30)	
	BANKING BOOK CAPITAL REQUIREMENTS/RISK WEIGHTED ASSETS	
D50	Banking Book Trigger Ratio (% multiplied by 100, ie input as integers)	
D60	Banking Book Target Ratio (% multiplied by 100, ie input as integers)	
D70	Total Banking Book Risk Weighted Assets by risk weighting bands: by weighting bands:	
D70.1	Risk weighted at 0%	
D70.2	Risk weighted at 10%	
D70.3	Risk weighted at 20%	
D70.4	Risk weighted at 50%	
D70.5	Risk weighted at 100%	
D70.6	Items A452, A472 and A474 of Section A	
D80	**Banking Book Capital Requirements**	
	CAPITAL ALLOCATED TO THE BANKING BOOK	
D90	Tier 1 capital	
D100	Eligible Tier 2 capital	
D110	Total capital allocated to the Banking Book (items D90 + D100)	
	TRADING BOOK CAPITAL REQUIREMENT/NOTIONAL RISK WEIGHTED ASSETS	
D120	Exempt from CAD capital requirements at reporting date ? (please tick if yes)	Yes
D130	If yes, number of days over threshold in reporting period	
D140	Trading Book Trigger Ratio (% multiplied by 100, ie input as integers)	
D150	Trading Book Target Ratio (% multiplied by 100, ie input as integers)	

		000S
	Standard approach	
D160	Counterparty/Settlement Risk	
D170	Incremental capital for large exposures	
D180	Foreign exchange .risk	
D190	Interest Rate Position Risk	
D200	Equity Position Risk	
D210	Commodity Position Risk	
D220	Total capital requirement for trading book risks not subject to models (items D160 to D210)	
	Internal models approach	
D230	Capital requirement for market risk	
D240	Capital surcharge for specific risk	
D250	Total capital requirement for risks subject to internal models (items D230+D240)	
	Capital requirements for entities consolidated via aggregation plus	
D260	Market Risks against which Tier 3 capital may be held	
D270	Market Risks against which Tier 3 capital may not be held	
D280	Non-Market Risk against which Tier 3 capital may be held	
D290	Non-Market Risk against which Tier 3 capital may not be held	
D300	Total capital requirement for entities consolidated via aggregation plus	
D310	**Total Trading Book Capital Requirements (items D220+D250+D300)**	
D320	**Total Trading Book Notional Risk Weighted Assets**	
	CAPITAL ALLOCATED TO THE TRADING BOOK	
D330	Tier 1 capital	
D340	Eligible Tier 2 capital	
D350	Eligible Tier 3 capital	
D360	Total capital allocated to the trading book (items D330 to D350)	
	ELIGIBLE CAPITAL NOT USED TO SUPPORT EITHER BOOK	
D370	Tier 1	
D380	Eligible Tier 2	
D390	Total excess Tier 1 and eligible Tier 2 capital before deduction	

DEDUCTIONS

		000s
D400	Investments in subsidiaries and associated companies (item A160)...	
D410	Connected lending of a capital nature (A280)	
D420	Off-balance sheet items of a capital nature..	
D430	Investments in bank and financial firm capital (item A171)..	
D440	Qualifying holdings (item A180.4)..	
D450	Deduction plus consolidation..	
D460	Other deductions..	
D470	Total Deductions (items D400 to D460)	
D480	**OWN FUNDS**..	
D490	**ADJUSTED CAPITAL BASE**...	
D500	**TOTAL CAPITAL REQUIREMENTS**..	
D510	**TOTAL RISK-WEIGHTED ASSETS**	
D520	**'PUBLISHED' RISK ASSET RATIO** (% multiplied by 100, ie input as integers)	
D530	**TRIGGER CAPITAL ADEQUACY RATIO** (% multiplied by 100, ie input as integers)	
D540	**TARGET CAPITAL ADEQUACY RATIO** (% multiplied by 100, ie input as integers)	

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM LE2 – Analysis of Large Exposures

Reporting institution ____

(Unconsolidated/Solo consolidated/Consolidated - delete as appropriate)

as at ____ **FSA Number**♦ | | | | | | |

Capital base for the period of this report: ______________________________ Date agreed: ____________

Currency of completion: ____

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ______________________________ Date: ____________________

Name: ____ Position held: ____________________

In the event of a query, the Financial Services Authority may, in the first instance, contact (block letters please):

____ Tel No: ____________ Ext: ____________

Notes on completion

1 Complete the return quarterly on an unconsolidated/solo-consolidated basis and consolidated basis as at end of March, June, September and December. Institutions wishing to report as at dates which coincide with the financial year end should apply to the FSA for a waiver (see SUP 8).

2 The form should be returned within 10 business days of the reporting date when completed on an unconsolidated/ solo-consolidated basis and within 20 business days of the reporting date when completed on a consolidated basis. Please address the form to your normal supervisory contact in:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

3 If you have any difficulty in completing this form, please telephone your FSA supervisor for guidance.

FSA use only	Logged in	Data entered

September 2001

♦ For unconsolidated/solo-consolidated entities, this will be the FSA firm reference number. For consolidated reports, this will be the FSA firm reference number of the institution on whom the requirement to report has been placed. This box must be filled in by all reporters (SUP 16.3.7R).

PART 1

LARGEST EXPOSURES TO INDIVIDUAL NON-BANK COUNTERPARTIES AND GROUPS OF CLOSELY RELATED

Counterparty (i) (1)	Gross exposure (ii) (2)		Net exposure (ii) (3)	
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period

(i) Principal counterparty(ies) in the case of groups of closely related non-bank counterparties.

(ii) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless otherwise agreed)

NON-BANK COUNTERPARTIES

Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a) (4)	Eligible collateral held (5)		Covered by guarantees (6)		Amount included in clustering ratio calculation (7)
	(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party	

PART 2 (i)

LARGEST EXPOSURES TO INDIVIDUAL NON-BANK COUNTERPARTIES AND GROUPS OF CLOSELY RELATED

Counterparty (i) (1)	Gross exposure (ii)(iii) (2)		Net exposure (ii)(iii) (3)		Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a) (4)
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period	

(i) Principal counterparty(ies) in the case of groups of closely related non-bank counterparties.

(ii) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless otherwise agreed)

NON-BANK COUNTERPARTIES CONNECTED TO THE REPORTING BANK

Eligible collateral held (5)		Covered by guarantees (6)		Amount exempt under a connected exposure concession (7)	Amount included in clustering ratio calculation (8)
(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party		

(iii) The total exposure to the counterparty(ies) listed in column 1 should be reported but exposures up to and including 1 year (original) maturity to group financial companies should also be separately identified in brackets.

PART 2 (ii)

LARGEST EXPOSURES TO BANKS, BUILDING SOCIETIES, RECOGNISED INVESTMENT FIRMS, RECOGNISED CLEARING HOUSES AND RECOGNISED EXCHANGES CONNECTED TO THE REPORTING BANK

Counterparty (1)	Gross exposure (i) (2)		Net exposure (i) (3)		Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a) (4)
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period	

(i) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless otherwise agreed)

Eligible collateral held (5)		Covered by guarantees (6)		Amount exempt under a connected exposure concession (7)	Amount included in clustering ratio calculation (8)
(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party		

PART 3 (i)

LARGEST EXPOSURES TO BANKS, BUILDING SOCIETIES, RECOGNISED INVESTMENT FIRMS, GILT-EDGED RECOGNISED CLEARING HOUSES AND RECOGNISED EXCHANGES WITH A MATURITY OF 1 YEAR OR LESS

Counterparty	Gross exposure (i) (2)		Net exposure (i) (3)		Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a)
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period	
(1)					(4)

(i) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless
otherwise agreed)

MARKET MAKERS, STOCK EXCHANGE MONEY BROKERS,

Exposure to counterparties closely related to counterparty in column 1 (ii) (5)	Eligible collateral held (6)		Covered by guarantees (7)	
	(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party

(ii) Other than banks, building societies, recognised investment firms, gilt-edged market makers, stock exchange money brokers, recognised clearing houses and recognised exchanges.

PART 3 (ii)

LARGEST EXPOSURES TO BANKS, BUILDING SOCIETIES, RECOGNISED INVESTMENT FIRMS, GILT-EDGED RECOGNISED CLEARING HOUSES AND RECOGNISED EXCHANGES WITH A MATURITY OF OVER 1 YEAR

Counterparty (1)	Gross exposure (i) (2)		Net exposure (i) (3)		Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a) (4)
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period	

(i) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless otherwise agreed)

MARKET MAKERS, STOCK EXCHANGE MONEY BROKERS,

Exposure to counterparties closely related to counterparty in column 1 (ii)	Eligible collateral held (6)		Covered by guarantees (7)		Amount exempt under a 1-3 year derivative concession	Amount included in clustering ratio calculation
	(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party		
(5)					(8)	(9)

(ii) Other than banks, building societies, recognised investment firms, gilt-edged market makers, stock exchange money brokers, recognised clearing houses and recognised exchanges.

PART 4

LARGEST EXPOSURES TO CENTRAL GOVERNMENTS AND CENTRAL BANKS

Counterparty (1)	Gross exposure (I) (2)		Net exposure (I) (3)	
	(a) At reporting date	(b) Maximum during period	(a) At reporting date	(b) Maximum during period
ZONE A				
ZONE B				

(i) Any exposure denominated other than in £ (either partially or wholly) should be marked with a *.

£000s (unless otherwise agreed)

Specific bad debt provisions made at reporting date against the exposure in column 2(a) or 3(a) (4)	Eligible collateral held (5)		Covered by guarantees (6)		Amount included in clustering ratio calculation (7)
	(a) Cash	(b) Zone A Government securities	(a) Parent bank	(b) Third party	
				TOTAL OF PARTS 1-4	

PART 5

EXPOSURES SUBJECT TO SOFT LIMITS

Adjusted capital base: ______________________________

ISSUER	EXCESS OVER ADJUSTED CAPITAL BASE	CAPITAL CHARGE (i)

(i) To be carried to items 120 and 130 of the Form CAD1

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM LR - Liquidity Return

FSA

Reporting institution ____________________

Reporting date [ ] [ ] [ ] eg 31 12 2001

FSA number * [ ] [ ] [ ] [ ] [ ] [ ]

Unconsolidated	Solo consolidated

Unconsolidated / Solo consolidated (tick as appropriate)…………………………….…

Please tick if this return is completed in Euros (Item A)……………………………………………………………………….. [ ]

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary action or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ____________________ Date: ____________

Name: ____________________ Position held: ____________

In the event of a query, the FSA or the Bank of England may, in the first instance, contact (block letters please)

____________________ Tel No ____________________ Ext ____________

Notes on Completion

1. If you have any difficulty in completing this return, please telephone your normal supervisory contact at the FSA.
2. Complete the return quarterly on an unconsolidated / solo consolidated basis.
3. Monthly BT reporters should complete Form LR as at the end of February, May, August and November.
   Quarterly BT reporters should complete Form LR as at the end March, June, September and December.
4. Enter amounts to the nearest thousand omitting £000s/€000s.
5. For definitions of items, refer to the Guidance Notes
6. To assist with the scanning process, please enter all data neatly within the relevant boxes and do not enter the % symbol in any boxes on this return
7. Submit the form within **10 business days** or **12 business days** for those institutions reporting electronically, clearly addressed to:

   The Financial Services Authority
   c/o Monetary and Financial Statistics Division
   Domestic Banking Statistics (HO-4)
   Bank of England
   Threadneedle Street
   London EC2R 8AH

8 Returns may also be delivered to the Works Gate at the Lothbury entrance of the Bank of England between 9.00am and 5.00pm, Monday to Friday. Envelopes should be clearly addressed as above.

FSA use only	Logged in	Data entered

September 2001

* This should be the FSA firm reference number. This box must be filled in by all reporters (SUP 16.3.7R).

LR.2.FS

PART 1

Marketable Assets

<u>Zone A currencies</u>

Item No		Mark to market value
		1
A1A	Cash held………………………………………………………..……………….……………………………………………..……………………	
	Debt instruments issued in Zone A countries	
A2A	Central government/central government guaranteed, including Treasury bills, eligible Local Authority paper and eligible bank bills with a residual maturity of up to 1 year…………………………………………………	
A2B	Central government/central government guaranteed and Local Authority marketable debt of 1 to 5 years…	
A2C	Central government/central government guaranteed and Local Authority marketable debt of over 5 years..	
A2D	Non-government of 6 months or less……………………………………………………………………………….	
A2E	Non-government of 6 months to 5 years…………………………………………………….	
A2F	Non-government of over 5 years………………………………………………………………………………..	
	Debt instruments issued in Zone B countries	
A3A	Central government/central government guaranteed with a residual maturity of up to 1 year………………	
A3B	Central government/central government guaranteed of 1 to 5 years…………………………………...……..	
A3C	Central government/central government guaranteed of over 5 years………………………………………….	
A3D	Eligible non-government of 6 months or less…………………………………………………………………	
A3E	Eligible non-government of 6 months to 5 years………………………………………………	
A3F	Eligible non-government of over 5 years……………………………………………………………………….	
A4A	***Brady bonds…………………………………………………………………………………………………….***	
A5A	***Highly liquid equities/equity indices……………………………………………………..…………………***	
A6A	**Total discounted amount……**	

LR.2.1

Zone B currencies	Discount where denominated in zone A currency (%)	Discount where denominated in zone B currency (%)	Discounted to		
Mark to market value			8 days and under	Over 8 days to 1 month	
2			3	4	Item No
....					A1A
	0	20			A2A
	5	25			A2B
	10	30			A2C
	5	25			A2D
	10	30			A2E
	15	35			A2F
	20	20			A3A
	30	30			A3B
	40	40			A3C
	30	30			A3D
	40	40			A3E
	50	50			A3F
	20	40			A4A
	20	40			A5A
....					A6A

LR.2.2

PART 2

Contractual basis: residual maturity

Item No		1	2	3	4
				Cashflow basis	
		Overdue	**Demand (incl. next day)**	**8 days and under (excl. next day)**	**Over 8 days to 1 month**
	Inflows				
B	Please tick if reported on a Cashflow basis (blank represents Maturity basis)………………..………………………………..				
	Retail				
B1A	Mortgages…………………………………….				
B1B	Personal loans…………………………………				
B1C	Overdrafts……………………………………..				
B1D	Credit card inflows…………………………..				
B1E	Repayment of advances……………………..				
B1F	Other retail inflows……………………………..				
	Wholesale				
B2A	Non-marketable securities and debt instruments and marketable assets maturing within 1 month…				
B2B	Intragroup / connected………………………..….				
B2C	Interbank (excluding any intragroup)………..….				
B2D	Corporate (non interbank, non intragroup)……..				
B2E	Government / Public sector……………………....				
B2F	Repos / reverse repos…………………………..				
B2G	Trade related letters of credit…..				
B2H	Overdrafts……………………………………..				
B3A	Swaps and FRAs……………………………….				
B3B	Forward foreign exchange………………………				
B3C	Forward sales and purchases…………………				
B3D	Other off balance sheet………………………..				
B4A	Fees and other income………………………..				
B4B	Other funding sources………………………..				
B5A	**Total inflows……………………………….**				

LR.2.3

Assets: Maturity analysis

5	6	7	8	9	10	11	Item No
Over 1 months to 3 months	**Over 3 months to 6 months**	**Total (Cashflow basis)**	**Over 6 months to 1 year**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Total (Maturity basis)**	
							B1A
							B1B
							B1C
							B1D
							B1E
							B1F
							B2A
							B2B
							B2C
							B2D
							B2E
							B2F
							B2G
							B2H
							B3A
							B3B
							B3C
							B3D
							B4A
							B4B
							B5A

LR.2.4

PART 2 (continued)

Contractual basis: residual maturity

Item No		1	2	3	4
				Cashflow basis	
		Overdue	**Demand (incl. next day)**	**8 days and under (excl. next day)**	**Over 8 days to 1 month**
	Outflows				
C	Please tick if reported on a Cashflow basis (blank represents Maturity basis)……………………………….………….………				
	Retail				
C1A	Time deposits………………………………………………….……..………				
C1B	No notice / current accounts………………………..……………..				
C1C	Additional advances committed………………………..…………….				
	Wholesale				
C2A	Non-marketable securities and debt instruments and marketable assets maturing within 1 month…………………..……………………				
C2B	Additional advances committed……………………….………….				
C2C	Intragroup / Connected……………………………..…………………				
C2D	Interbank (excluding any intragroup)…………………………..				
C2E	Corporate (non-interbank and non-intragroup)…………………				
C2F	Government / Public sector……………………………...…………				
C2G	Repos / Reverse Repos…………………………..……………..				
C2H	Trade related letters of credit……………..…………..…………				
C3A	Swaps and FRAs………………………..………………………				
C3B	Forward foreign exchange……………………………..…………				
C3C	Forward sales and purchases………………………….………….				
C3D	Other off balance sheet…………………………..……………..				
C4A	Dividends, tax, other costs and outflows…………………………..				
C5A	**Total outflows……………………………..……………………….**				

Memo Items

D1A	Option inflows………………………………………………………………………..	
D1B	Option outflows……………………………………………………………………	
D1C	Undrawn committed facilities granted **to** the bank…………………………………………	
D1D	Undrawn committed facilities granted **by** the bank……………………………………	
D1E	Commitments to lend under credit card and other revolving credit type facilities…….	
D1F	**Total deposits…………………………………………………………………………**	
D2A	Undrawn treasury concessions granted by the bank…………………………………..	
D2B	Amount of total cash inflows in arrears………………………………………..	

Liabilities: Maturity analysis

5	6	7	8	9	10	11	Item No
Over 1 months to 3 months	**Over 3 months to 6 months**	**Total (Cashflow basis)**	**Over 6 months to 1 year**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Total (Maturity basis)**	
							C1A
							C1B
							C1C
							C2A
							C2B
							C2C
							C2D
							C2E
							C2F
							C2G
							C2H
							C3A
							C3B
							C3C
							C3D
							C4A
							C5A

LR.2.6

PART 3

Behavioural basis

Item No		1 **Overdue**	2 **Demand (incl. next day)**	3 **8 days and under (excl. next day)**
	Inflows			
	Retail			
E1A	Mortgages……………………………………			
E1B	Personal loans…………………………………			
E1C	Overdrafts…………………………………..			
E1D	Credit card inflows…………………………..			
E1E	Repayment of advances……………………..			
E1F	Other retail inflows……………………………..			
	Wholesale			
E4A	Non-marketable securities and debt instruments and marketable assets maturing within 1 month…			
E4B	Intragroup / connected……………………..……			
E4C	Interbank (excluding any intragroup)……….….			
E4D	Corporate (non interbank, non intragroup)……..			
E4E	Government / Public sector……………………...			
E4F	Repos / reverse repos…………………………..			
E4G	Trade related letters of credit…..			
E4H	Overdrafts…………………………………..			
E5A	Swaps and FRAs…………………………………			
E5B	Forward foreign exchange………………………			
E5C	Forward sales and purchases………………….			
E5D	Other off balance sheet………………………..			
E2A	Fees and other income………………………..			
E2B	Other funding sources………………………..			
E3A	**Total inflows…………………………………**			

LR.2.7

4	5	6	7	8	9	Item No
Over 8 days to 1 month	**Over 1 months to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 year**	**Total (Columns 1 to 8)**	
						E1A
						E1B
						E1C
						E1D
						E1E
						E1F
						E4A
						E4B
						E4C
						E4D
						E4E
						E4F
						E4G
						E4H
						E5A
						E5B
						E5C
						E5D
						E2A
						E2B
						E3A

LR.2.8

PART 3 (continued)

Behavioural basis

Item No		1 **Overdue**	2 **Demand (incl. next day)**	3 **8 days and under (excl. next day)**
	Outflows			
	Retail			
F1A	Time deposits…………………………………………………………..………			
F1B	No notice / current accounts…………………………..……………..			
F1C	Additional advances committed………………………..……………			
	Wholesale			
F5A	Non-marketable securities and debt instruments and marketable assets maturing within 1 month…………………..………………………			
F2A	Additional advances committed……………………………..…………			
F5C	Intragroup / Connected…………………………..…………………			
F5D	Interbank (excluding any intragroup)……………………………..			
F5E	Corporate (non-interbank and non-intragroup)………………….			
F5F	Government / Public sector……………………………...…………			
F5G	Repos / Reverse Repos…………………………..……………..			
F5H	Trade related letters of credit……………..…………….…………			
F6A	Swaps and FRAs…………………………..………………………			
F6B	Forward foreign exchange……………………………..…………			
F6C	Forward sales and purchases…………………………..…………			
F6D	Other off balance sheet…………………………..……………..			
F3A	Dividends, tax, other costs and outflows…………………………..			
F4A	**Total outflows……………………………..……………………….**			

LR.2.9

4	5	6	7	8	9	Item No
Over 8 days to 1 month	**Over 1 months to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 year**	**Total (Columns 2 to 8)**	
						F1A
						F1B
						F1C
						F5A
						F2A
						F5C
						F5D
						F5E
						F5F
						F5G
						F5H
						F6A
						F6B
						F6C
						F6D
						F3A
						F4A

LR.2.10

PART 4

Calculation of liquidity mismatches

Item No		1 Overdue (excluded)	2 Demand (incl. next day)	3 8 days and under	4 1 month and under	Item No
	Contractual Basis					
	Inflows					
G1A	Cumulative discounted marketable assets……………….……….					G1A
G1B	Plus total cumulative standard inflows...………..………..………					G1B
G1C	Plus Y% * committed lines granted to the bank...………..………					G1C
G1D	Y% ..………..………..………..………..……………………..					G1D
G1E	**Equals total inflows (A)...………..………..………..………**					G1E
	Outflows					
G2A	Total cumulative standard outflows...………..………..………..…					G2A
G2B	Plus undrawn commitments to lend granted by the bank...………					G2B
G2C	Z%...………..………..………..………..……………………					G2C
G2D	Plus undrawn credit card and other revolving commitments to lend..					G2D
G2E	W% ..………..………..………..………..…………………..					G2E
G2F	**Equals total outflows (B)...………..………..………..………**					G2F
	Mismatch					
G3A	Net mismatch: standard basis (A - B)...………..………..………..					G3A
G4A	Total deposits (X)...………..………..………..………..…………					G4A
G5A	**Mismatch as % of deposits [(A-B)/X]** (to 2 decimal places)					G5A
	Behaviourally Adjusted Basis					
	Inflows					
G6A	Cumulative discounted marketable assets…………………………….					G6A
G6B	Plus total cumulative behaviourally adjusted inflows………………..					G6B
G6C	Plus Y% * committed lines granted to the bank………………………					G6C
G6D	Y%……………………………………………..…………………..					G6D
G6E	**Equals total inflows (C)…………………………………………**					G6E
	Outflows					
G7A	Total cumulative behaviourally adjusted outflows…………………					G7A
G7B	Plus undrawn commitments to lend granted by the bank…………					G7B
G7C	Z% ………………………………………………………………………..					G7C
G7D	Plus undrawn credit card and other revolving commitments to lend..					G7D
G7E	W% ……………………………………………………………………..					G7E
G7F	**Equals total outflows (D)………………………………………….**					G7F
	Mismatch					
G8A	Net mismatch: behaviourally adjusted basis (C - D)………………...					G8A
G8B	Total deposits (X)………………………………………….…………					G8B
G8C	**Mismatch as % of deposits [(C-D)/X]** (to 2 decimal places)					G8C

In order to assist with the scanning process please enter decimal points clearly and do <u>not</u> enter the % symbol in any of the boxes of this form

PART 4 (continued)

Exceptions to Guidelines

Net cumulative mismatch as a percentage of total deposits

Item No	1 **Date** (ddmm format)				2 **Sight to eight days** (to 2 decimal places)	3 **Sight to one month** (to 2 decimal places)	Item No
H1A							H1A
H1B							H1B
H1C							H1C
H1D							H1D
H1E							H1E
H1F							H1F
H1G							H1G
H1H							H1H
H1J							H1J
H1K							H1K
H1L							H1L
H1M							H1M
H1N							H1N
H1P							H1P
H1Q							H1Q
H1R							H1R
H1S							H1S
H1T							H1T
H1U							H1U
H1V							H1V

In order to assist with the scanning process please enter decimal points clearly and do not enter the % symbol in any of the boxes of this form

PART 5

Deposit Concentration

Part A: Large Deposits

Item No	1	2	3
	Customer (a)	**Maturity date (b)** (ddmmyy format blank=undated, V=various)	**Currency (c)** (using international country codes blank=sterling, V=various)
J1A			
J1B			
J1C			
J1D			
J1E			
J1F			
J1G			
J1H			
J1J			
J1K			
J1L			
J1M			
J1N			
J1P			
J1Q			
J1R			
J1S			
J1T			
J1U			
J1V			
K1A			
K1B			
K1C			
K1D			
K1E			
K1F			
K1G			
K1H			
K1J			
K1K			
K1L			
K1M			
K1N			
K1P			
K1Q			
K1R			
K1S			
K1T			
K1U			
K1V			

4	5	6	7	8	
Amount (d)	**Maximum amount in reporting period (e)**	**Client money (C) (f)** (please tick)	**Mandated accounts (M) (g)** (please tick)	**Customers connected to reporting bank (CC)** (please tick)	Item No
					J1A
					J1B
					J1C
					J1D
					J1E
					J1F
					J1G
					J1H
					J1J
					J1K
					J1L
					J1M
					J1N
					J1P
					J1Q
					J1R
					J1S
					J1T
					J1U
					J1V
					K1A
					K1B
					K1C
					K1D
					K1E
					K1F
					K1G
					K1H
					K1J
					K1K
					K1L
					K1M
					K1N
					K1P
					K1Q
					K1R
					K1S
					K1T
					K1U
					K1V

PART 5 (continued)

Deposit Concentration

Part B: Client money and mandated accounts held

Item No	1	2 Amount	3 Maximum amount in reporting period	Item No
L1A	Client Money (f)....……….....……...………			L1A
L1B	Mandated accounts (g)....………...…………			L1B

<u>Notes for completing Part 5</u>

a) Principal customer in the case of closely related depositors/lenders.

b) Where an individual deposit comprises 25% or more of the total for a particular depositor / group of depositors and has a different maturity from the remainder, it should be reported separately and bracketed. Otherwise where deposits have been received with a variety of maturity dates, reporting institutions need not supply a full list of dates but may write the letter V in the first section of column 2. Where the deposit is undated, this column should be left blank.

c) Enter the currency and not the amount. The codes used for each currency should be consistent with the international codes used for the Bank of England returns. Where an individual deposit comprises 25% or more of the total for a particular depositor/group of depositors and has a different currency from the remainder, it should be reported separately and bracketed. Otherwise, where deposits are received in a variety of currencies, reporting institutions need not supply details of each currency amount but may write the letter V in the first section of column 3. Where the deposit is in sterling, this column should be left blank.

d) Enter the sterling (or euro amount, if appropriate) or the sterling equivalent (or euro equivalent) if the deposit/loan is in currency other than sterling (or euro).

e) Only complete this column for deposits still outstanding at the reporting date.

f) Funds subject to the FSA's (previously SIB's) client money regulations.

g) Funds held in accounts operated by a Financial Services Act authorised firm under a mandate signed by the account holder.

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM M1 - Holdings of credit and financial institutions' and non-financial companies' capital instruments

Reporting institution ______________________________

as at.. [ ] [ ] [ ] **FSA number *** [ ] [ ] [ ] [ ] [ ] [ ]
(eg 31 12 2001)

Unconsolidated/solo consolidated/consolidated - tick as appropriate

Unconsolidated [ ] Solo consolidated [ ] Consolidated [ ]

(sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ______________________ Date ______________

Name: ______________________ Position held: ______________

In the event of a query, the FSA or the Bank of England may, in the first instance, contact (block letters please)

______________________ Tel No ______________ Ext ______________

Notes on Completion

1. If you have any difficulty in completing this return, please telephone your normal supervisory contact at the FSA.
2. Complete the return quarterly on an unconsolidated/solo consolidated basis in conjunction with Form BSD3.
3. Complete the return half-yearly on a consolidated basis in conjunction with Form BSD3.
4. Enter amounts to the nearest thousands omitting £000s/€000s
5. For definitions of items, refer to the Guidance Notes
6. To assist with the scanning process, please enter all data neatly within the relevant boxes and do not enter the % symbol in any boxes on this return.
7. Submit within 10 business days for unconsolidated/solo consolidated returns and 20 business days for consolidated returns or 12 and 22 business days respectively for those institutions reporting electronically to:

   The Financial Services Authority
   c/o Monetary and Financial Statistics Division
   Domestic Banking Statistics (HO-4)
   Bank of England
   Threadneedle Street
   London EC2R 8AH
8. Returns may also be delivered to the Works Gate at the Lothbury entrance of the Bank of England between 9.00am and 5.00pm, Monday to Friday. Envelopes should be clearly addressed as above.

FSA use only	Logged in	Data entered

September 2001

* For unconsolidated/solo-consolidated entities, this should be the FSA firm reference number. For consolidated reports, this will be the FSA firm reference number of the institution on whom the requirement to report has been placed. This box must be filled in by all reporters (SUP 16.3.7R).

1 **Please tick if completion in Euros ....** ☐

SECTION 1: Holdings in credit and financial institutions' capital instruments

			000s
10	Trading Book concession granted (tick if yes)……………………………..	☐	
20	If Trading Book concession granted, what amount……………………………………		
30	Concession to hold own group paper in Trading Book (tick if yes)	☐	
40	If concession granted, what amount……………………………….		
	Total amount of credit and financial institutions' capital instruments held		
50	**Total amount held** (items 60 + 70)		
60	Banking Book		
70	Trading Book (items 70.1 to 70.4)…………………………..		
70.1	other institutions' paper eligible for a Trading Book concession………………		
70.2	holdings eligible for own group concession………………….………..		
70.3	paper not eligible for Trading Book concession (deductible from Tiers 1 & 2).		
70.4	holdings of own Tier 1 instruments (deductible from Tier 1)………….		
80	**Holdings in excess of 10% of other credit and financial institutions' capital**		

	Credit or financial institution	**Amount**	**Excess**
80.01	....……………….		
80.02	....…………………		
80.03	....…………………		
80.04	....…………………		
80.05	....…………………		
80.06	....…………………		
80.07	....…………………		
80.08	....…………………		
80.09	....…………………		
80.10	....…………………		
Total	....…………………		

	Total amount deducted from Tier 1 and Tier 2 capital or risk weighted as at reporting date:	000s
90	Banking Book on-Balance sheet (deductions)………………………..	
100	Banking Book off-Balance sheet (deductions)………………………..	
110	Trading Book (deductions)………………………………………………….	
120	Banking Book (risk weighted) ……………………………………………….	
130	Trading Book (non deductible) …………………………………….	

140 Five largest holdings in credit and financial institutions, at reporting date

	Credit or financial institution	Amount
140.1	....…………………	
140.2	....…………………	
140.3	....…………………	
140.4	....…………………	
140.5	....…………………	

SECTION 2: Qualifying holdings in non-financial companies

150	Total amount of qualifying holdings	
160	Total amount of qualifying holdings in excess of 15% of capital	
170	Total amount of qualifying holdings in excess of 60% of capital	
180	Total deductions from capital (also report this figure in item A180.4 on BSD3)	

Private and confidential

To be used for all reports completed as at 1 December 2001 or after

FORM SLR1 - Stock Liquidity Return

Reporting Institution ______________________________

as at............ [ ] [ ] [ ] (eg 12 12 2001) **FSA Number*** [ ] [ ] [ ] [ ] [ ] [ ]

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.10R requires an authorised person to submit reports containing all the information required. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. Any additional information of relevance should be provided by letter direct to the FSA.

I confirm the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Signature of authorised signatory: ______________________ Date: ____________

Name: ______________________ Position held: ____________

In the event of a query, the FSA or the Bank of England may, in the first instance, contact (block letters please)

______________________ Tel No ____________ Ext ____________

Notes on completion

1. If you have any difficulty in completing this return, please telephone your usual supervisory contact at the FSA.
2. For definitions, refer to the Guidance Notes
3. Enter amounts to nearest thousands omitting £000s.
4. This form should be completed as at the **SECOND WEDNESDAY OF THE MONTH.** It should also be completed for any exception within the month.
5. To assist with the scanning process, please enter all data neatly within the relevant boxes and do not enter the % symbol in any boxes on this return.
6. Submit the **monthly** return within **six business days** of the reporting date, clearly addressed to:

    FINANCIAL SERVICES AUTHORITY
    c/o Monetary and Financial Statistics Division
    Domestic Banking Statistics (HO-4)
    Bank of England
    Threadneedle Street
    London EC2R 8AH

7. Returns may also be delivered to the Works Gate at the Lothbury entrance of the Bank of England between 9.00am and 5.00pm, Monday to Friday. Envelopes should be clearly addressed as above.
8. Submit any **exception** reports direct to your supervisor at the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

FSA use only	Logged in	Date entered

September 2001

* For unconsolidated/solo-consolidated entities, this should be the FSA firm reference number. For consolidated reports, this will be the FSA firm reference number of the institution on whom the requirement to report has been placed. This box must be filled in by all reporters (SUP 16.3.7R).

1 STERLING STOCK:

1.1	Cash…………			
1.2	Operational balances with Bank of England…………			
1.3	Treasury Bills…………			
1.4	Gilts…………			
1.5	Eligible bank bills…………			
1.6	Eligible local authority bills…………			
1.7	Certificates of tax deposits…………			
1.8	Other…………			
1.0	**TOTAL** …………			(A)
	(Item 1 should be equal or greater than item 2.2)			
2.1	**WHOLESALE STERLING NET OUTFLOW LIMIT**…………			
	5 WORKING DAYS as agreed with Bank of England			
2.2	**STERLING STOCK FLOOR**…………			
	5 WORKING DAYS as agreed with Bank of England			
3.0	**WHOLESALE STERLING NET OUTFLOW**…………			(B)
	5 WORKING DAYS			
4.0	**STERLING CERTIFICATES OF DEPOSITS HELD**			
4.1	TOTAL…………			
4.2	Liquidity conversion factor…………**X**	**0.85**		
4.3	Total discounted certificates of deposit………… **=**			
	(Equal to item 4.1 times item 4.2)			
4.4	Allowable certificates of deposit…………			(C)
	(Item 4.4 should not be greater than 50% of item 3.0)			
4.5	Remaining certificates of deposit…………			
	(Item 4.4 plus item plus 4.5 should equal 4.3)			
5.0	**STERLING RETAIL DEPOSITS:**			
5.1	Sterling retail deposits falling due in next 5 working days…………			
5.2	Liquidity conversion factor…………**X**	**0.05**		
5.3	Sterling retail deposits to be covered…………=			(D)
	(Equal to item 5.1 times item 5.2)			
6.0	**STERLING LIQUIDITY RATIO (LQR)** (rounded to two decimal places and multiplied by 100, ie places input as integers)…………			

$$LQR = \left(\frac{A}{(B - C) + D} \right) \times 100\%$$

SUP 16 Ann 2G: Guidance notes on completion of banks' reporting forms (including validations)

1. FORM B7
2. FORM BSD3
3. FORM LE2
4. FORM LR
5. FORM M1
6. FORM SLR1
7. Supervisory guidance notes

Analysis of Profits, Large Exposures and Certain Other Miscellaneous Information (Form B7)

Form B7 should be completed by UK branches of banks established outside the EEA (as defined in the Handbook Glossary of Definitions) as at end-June and end-December, or at dates which coincide with the branch's accounting period and have been agreed with the Financial Services Authority (FSA). This form should be completed using the accruals based accounting method, although market value based accounting may be used if the branch prepares its financial statements on this basis. It will, however, be assumed that branches are completing the form using the accruals based accounting method unless they have otherwise notified the FSA in writing.

Please read the Supervisory Guidance Notes (SGN), the FSA Banking Supervisory Policy Guide and the Interim Prudential Sourcebook for Banks in conjunction with these reporting instructions.

CURRENT YEAR'S PROFIT AND LOSS

1.1 Interest received and receivable

Include under this heading:

(a) interest income which had accrued during the current accounting period whether or not it has been received;

(b) all income having the character of interest and, in particular, amounts arising from the amortisation of discounts on the purchase of investment securities and fees and commissions which are similar in nature to interest, including swap interest where the instrument is used for hedging purposes. Interest which is identified as doubtful should not be credited to the profit and loss account but should instead be credited to an interest suspense account on the balance sheet. The crediting of interest to the suspense account should cease when there is no longer any realistic prospect of receiving it, and the balance should be written off once it is beyond realistic prospect of recovery.

1.2 Dividend income

Reporting institutions should include here all dividend income received and receivable (ie where the stock has gone "ex-div") from equity shares. Dividends from equity shares should be included from the announcement date or in the case of quoted shares from the "ex-div" date.

1.3 Fees and commissions received and receivable

Income from charges made for services provided by the reporting institution, eg for the provision of current account facilities, trade finance activities, corporate advice, investment management and trustee services, guarantees and indemnities, commission on foreign currency transactions, underwriting the issue of securities etc.

Do not include here fees and commissions which are similar in nature to interest such as front end fees in lieu of interest, as these should be reported under item 1.1.

1.4 Dealing profit/(loss)

This is the buying or selling of any financial instrument. Interest should be reported gross except where the interest flows arising from a contract are settled net, eg the interest flows on an interest rate swap would normally be reported net.

Include:

(a) all profits and losses, including amounts resulting from marking-to-market from dealing in securities, foreign exchange, and other financial instruments;

(b) fees received for dealing in securities such as brokerage costs; and

(c) amounts resulting from the marking-to-market of the financial instruments held for dealing.

Profits and losses from the sale of investment securities should not be reported here but under item 1.6. The funding cost of the dealing operation may be included within this item where such a treatment is adopted in the financial statements of the branch.

1.5 Intra-group income

Include all income here which would otherwise have been included under items 1.1 to 1.4 and 1.6, but which has been earned from group companies. (This income should not also be reported under items 1.1 to 1.4.) The definition of group companies should include Head Office, fellow branches and other group companies as defined in SGN12.

Where the systems of the branch are such that it would be unduly expensive, impractical or of little benefit to the FSA to provide an analysis of intra-group income then such income need not be separately reported. The written agreement of the FSA should be obtained for reporting on this basis.

1.6 Other operating income

Include here the profit or loss on the sale of investment securities and tangible fixed assets, rentals receivable and sundry sources of income which do not fall into one of the other income categories. Investment securities are defined as securities intended for use on a continuing basis in the activities of the bank, but securities should not be treated as investment securities unless they are held for identified purpose and the securities held are clearly identifiable. Amounts within other operating income that represent more than 5% of the total income figure (item 1) should be entered in items 1.6A, 1.6B and 1.6C in descending order of size. Ignore further items if there are more than three breaking the 5% limit.

2.1 Interest paid and payable

Include under this heading:

(a) interest expense which has accrued during the current accounting period whether or not it has been paid; and

(b) all expenditure having the character of interest, and, in particular, amounts arising from the amortisation of premiums on the purchase of investment securities and fees and commissions which are similar in nature to interest and swap interest where the instrument is used for hedging purposes.

2.2 Fees and commissions paid and payable

Include charges for all services rendered to the company by third parties, excluding those which have the character of interest and are included under item 2.1.

2.3 Staff expenses

Include here:

(a) salary costs;

(b) employer's national insurance contributions;

(c) employer's contribution to any pension scheme; and

(d) costs of staff benefits paid on a per capita basis, such as private medical insurance and luncheon vouchers.

2.4 Administration expenses

Include here any general staff benefits, together with rent, rates, electricity, stationery costs, etc.

2.5 Depreciation

This item should include depreciation, amortisation and other amounts written off in respect of tangible and intangible fixed assets.

2.6 Intra-group expenditure

Include all expenditure which would otherwise have been included within items 2.1 to 2.4 and 2.7, but which has been paid to, or is due to, group companies as defined in SGN12. Where the systems of the branch are such that it would be unduly expensive, impractical or of little benefit to the FSA to provide an analysis of intra-group expenditure then such expenditure need not be separately reported. The written agreement of the FSA should be obtained before reporting on this basis.

2.7 Other operating charges

Include here those items of expenditure which do not fall within items 2.1 to 2.5. Amounts within other operating charges which represent more than 5% of the total expenditure figure (item 2) should be entered in items 2.7A, 2.7B and 2.7C in descending order of size. Ignore further items if there are more than three breaking the 5% limit.

4.1 Provisions for bad and doubtful debts

Suspended interest should not be included here, nor should suspended interest be included within item 1.1. This item should equal item 10.3. Specific and General should be as per the branch balance sheet.

4.2 Provisions for contingent liabilities and commitments

Include here charges for provisions against contingent liabilities and commitments which would, if not provided for here, be shown under off-balance sheet items 7 and 8.

4.3 Taxation

Include here the tax charge for the period. Where this has not yet been arrived at, an estimation of the tax charge should be included, based on the pre-tax profit figure and the average historic tax rate of the institution in previous years. The historic rate of tax should be adjusted for any changes in circumstances as appropriate, including changes in the rate of corporation tax, changes in the nature of businesses, etc.

4.4 Provisions / Amounts written off fixed asset investments

Provisions / amounts written off, and adjustments to amounts previously written off, in respect of fixed asset investments, including debt and equity securities held either to maturity or as long term investments.

BALANCE SHEET ANALYSIS

6.1-6.5 Quoted investments

This should comprise the net long or short position of investments listed on recognised exchanges (the UK and overseas official stock exchanges and the Unlisted Securities Market) and “over the counter” stock markets for which a publicly ascertainable price is regularly available. In arriving at the market valuation, long positions should be valued at bid price and short positions should be valued at the offer price. In the event that the bank is only able to access the mid-market or single values, it should have regard to the fact these prices will have to be adjusted to some degree in order to arrive at a prudent valuation.

6.6-6.9 Unquoted investments

Include here, at the original cost valued at the reporting rate of exchange, those investments which are not traded on a recognised exchange as defined for items 6.1 to 6.5, and those “over the counter” investments which do not meet the criteria to be included under items 6.1 and 6.5.

OFF-BALANCE SHEET ITEMS

7.1 Acceptances and endorsements

Endorsements of bills for customers (including per aval endorsements) should be reported at the full nominal amount, less any amount for bills which the branch now holds but had previously endorsed. Where the reporting institution is the first endorser of a bill which has been accepted by a bank other than the reporting bank, such endorsements should be reported in item 7.2. (Where a reporting institution has endorsed its own acceptances no further amount should be reported than the acceptance reported in item 7.2.) If the reporting institution is not the first endorser of a bill already accepted by a bank, such endorsements need not be reported.

Endorsements of bills which have not been accepted by a bank should be reported here, but endorsements of bills which have been previously endorsed by two or more banks need not be reported.

Acceptances, other than own acceptances which represent a genuine liability as opposed to a contingent liability and should be reported on balance sheet, should also be reported here.

7.2 Guarantees and irrevocable letters of credit (Direct credit substitutes)

Guarantees and irrevocable letters of credit (ie direct credit substitutes) relate to the financial requirements of a counterparty, where the risk of loss to the reporting institution on the transaction is equivalent to a direct claim on the counterparty, ie the risk of loss depends on the creditworthiness of the counterparty (refer to Form BSD3 item A340 for detail of instruments which should be reported).

Letter of credit not eligible for inclusion in item 8.2 should be reported here. However, standby letters of credit which are related to non-financial transaction should be reported in item 7.4.

7.3 Assets pledged by the bank as collateral security

Include all guarantee obligations incurred and assets pledged as collateral security on behalf of third parties. Where the assets have been given as security in connection with the reporting institution's participation in a payments/settlements system such as CREST or Euroclear, the particular payments/settlements system should be reported with the liabilities being secured at the reporting date. Where assets have been given as security to secure the reporting institution's other liabilities (for example, property which has been mortgaged and hire purchase agreements pledged as collateral), the assets reported should exclude any element of unearned finance charges.

7.4 Other contingent liabilities

Report all contingent liabilities which do not fall within one of the definitions for items 7.1 and 7.3.

8.1 Sale and option to resell transactions

Include all instruments where the purchaser of assets has the option to resell them to the vendor. They should be reported under this item at the price agreed in the event of a repurchase. If there is no repurchase price agreed then use the price at the reporting date.

8.2 Documentary credits and short-term trade-related transactions

Report short-term (defined as less than or equal to six months), self liquidating trade-related items such as documentary letters of credit issued by the reporting institution which are, or are to be, collateralised by the underlying shipment, ie where the credit provides for the reporting institution to retain title to the underlying shipment. Such letters should be weighted according to the counterparty on whose behalf the credit is issued and reporting whether or not the terms and conditions of the credit have yet to be complied with.

Letters of credit issued by the reporting institution without provision for the reporting institution to retain title to the underlying shipment or where the title has passed from the reporting institution should be reported under Guarantees and irrevocable letters of credit (direct credit substitutes), ie item 7.2. A memorandum of pledge and a trust receipt are not regarded as giving the reporting institution title, and transactions secured by these should be shown under item 7.2.

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 reporting institution or for which the reporting institution is acting as reimbursement agent should not be reported.

8.3 Forward asset purchases and forward deposits placed

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 the reporting date.

8.4 Undrawn facilities

Include all undrawn committed credit facilities with uncertain drawdown, including those with bank counterparties.

9 Exchange rate and interest rate related contracts

Counterparty risk on exchange rate and interest rate related contracts should be reported in this section. Exposures should be reported on a gross basis, unless they are netted by novation or in accordance with the guidance set out in Chapter NE (Collateral and netting) of the FSA Banking Supervisory Policy Guide and/or the Interim Prudential Sourcebook for Banks.

Only contracts with a positive mark to market value should be included. However, institutions should record a potential future credit exposure in respect of all OTC derivative contracts.

9.1 Exchange rate contracts

Only exchange rate contracts of over 14 days original maturity (excluding a settlement period of up to 2 days) should be reported in this section. Foreign currencies should be interpreted to include gold, silver, platinum and palladium. Report the amount arising from cross currency swaps, cross currency interest rate swaps, outright forward foreign exchange contracts, currency futures, currency options purchased, equity futures, equity swaps, equity options purchased, commodity futures, commodity swaps, commodity options purchased and similar instruments.

9.3 Interest rate contracts

Report the amount arising from single currency interest rate swaps, basis swaps, forward rate agreements and products with similar characteristics, interest rate futures (including bond futures and options purchased), interest rate options purchased, synthetic agreements for forward exchange (SAFE), exchange rate agreements (ERA), forward exchange agreements (FXA) and similar instruments.

For forward foreign exchange agreements, if the notional principal amounts, between the front and back legs, differs by more than 10%, then the lower amount should be reported as the notional principal for the interest rate treatment and the difference will attract exchange rate add-ons.

9.1 & 9.3 Notional principal

For exchange rate contracts, the notional principal should be taken as the contract amount or the underlying principal amount of the contract. As regards the notional currency being received by the reporting institution, this should be translated into sterling at the spot exchange rate on the reporting date (see SGN34 for more detail generally).

Refer to SGN34 for guidance on remaining maturity.

9.2 & 9.4 Credit Equivalent

Reporting institutions should complete these lines using either the replacement cost or original exposure method. In general, where a reporting institution actively trades these instruments or where such instruments form a significant part of its treasury operation, the replacement cost method should be used. The original exposure method should only be used where the institution does not actively trade and with written agreement from the FSA. Reporting institutions should indicate the method used in the boxes provided.

Further guidance is included in Appendix 1 (replacement cost method) and SGN36 (original exposure method).

MEMORANDUM ITEMS

Provisions against bad and doubtful debts

10.1 Previous balance

Show the balance outstanding on the specific and general provisions account at the end of the previous accounting year relating to debts considered bad or doubtful. Do not include provisions made against the value of investments. **The date to which the balance refers should be shown in the space provided.**

10.2 Adjustments for exchange rate movements

Enter any adjustments made for exchange rate movements in respect of provisions denominated in currencies other than sterling. Where the adjustment is negative, report the amount in brackets.

10.3 Charge/credit to profit and loss account

Enter the net charge or credit to the profit and loss account in respect of provisions; this should equal item 4.1. A net credit should be shown in brackets. The gross charge for new provisions should be offset by other items, including any provisions made in earlier years but now released in the current year's profit and loss account. The charge or credit for specific provisions should not include the charge or credit for provisions in respect of suspended interest (unless it is the practice of the reporting institution to show suspended interest as interest receivable in the P&L account).

10.4 Amounts written off

Enter the gross amount written off (before recoveries, which should be reported in item 10.5).

10.5 Recoveries of amounts previously written off

Enter the total amount of loans recovered which have previously been written-off.

10.6 Other

Enter any other items, including exceptional provisions and transfers between general and specific provisions.

10.7 Current balance

The current balance should be the sum of items 10.1 to 10.6.

LARGE EXPOSURES

11 Twenty largest exposures to banks and building societies

List in descending order of magnitude (ie the largest exposure first) the twenty largest credit exposures to banks and building societies. The listing should commence on line 11A. Each large exposure should only be reported once, at the top level. The total of each column of the large exposures should be entered on the first line.

For the definitions of exposures and counterparties which should be used (see SGN9 to SGN13), for banks, see SGN20 (excluding investment firms).

Exposures of up to and including **1 year remaining maturity at the reporting date should be reported in column 4.**

For interest rate and foreign exchange rate contracts, the amounts at risk should be reported as the "credit equivalent amount" using the same basis of valuation as in item 9.

12 Twenty largest exposures to other counterparties

List in descending order of magnitude (ie the largest exposure first) the twenty largest credit exposures to counterparties other than those covered in item 11 (both UK and overseas). Include the non-bank private sector, central banks, international organisations (including regional development banks and the Bank for International Settlements (BIS)), and the UK and overseas public sectors. The listing should commence on line 12A. Each large exposure should only be reported once, at the top level. The total of each column of the large exposures should be entered on the first line.

See SGN9 to SGN13, SGN18, SGN20 to SGN23.

Exposures of up to and including **1 year remaining maturity at the reporting date should be reported in column 4.**

For interest rate and foreign exchange rate contracts, the amounts at risk should be reported as the "credit equivalent amount" using the same basis of valuation as in item 9.

Exposures should be valued in accordance with the Supervisory Guidance Notes, except that, in the circumstances below, the exposure should be measured as less than the nominal exposure. In reporting large exposures, credit balances should not be offset against debit balances unless consistent with Chapter NE (Collateral and netting) of the FSA Banking Supervisory Policy Guide or the Interim Prudential Sourcebook for Banks, whichever is current at the reporting date.

Underwriting commitments

The exposure arising from underwriting commitments should be taken as the full amount of the sum underwritten, less amounts of the issue which the reporting bank has sub-underwritten with, or sold to, another counterparty.

APPENDIX 1 - REPLACEMENT COST METHOD

Reporting institutions should mark-to-market in a prudent and consistent manner. Institutions should develop their own methodology for calculating market values, details of which should be made available to the FSA on request; the following guidelines should however be observed.

For swaps, forward rate agreements and products with similar characteristics, outright forward foreign exchange contracts and futures, the mark-to-market approach should be based on an estimation of the net present value of the future cash flows of the contract, using interest rates based on current market rates and relevant to periods in which the cash-flows will arise (commonly for example, the rates from a derived yield curve for zero-coupon government bonds).

For options purchased, the mark-to-market approach should be based on a value of the option reflecting, inter alia, the amount by which the option is “in the money” (ie the amount, if any, by which the rate at which the option can be exercised is more favourable than the current market rate when applied to the notional principal underlying the option), the time to expiry of the option, the volatility of the underlying exchange or interest rate, and (for currency options) the interest rate differential between the two currencies. Typically such valuations will be based on mathematically complex formulae, and will value the option at an amount above its “in the money” value. Reporting institutions whose involvement in options is limited and who have not developed suitable methodology may value options at their “in the money” value. The written consent of the FSA should be obtained to valuing options in this way.

Credit equivalent amount

In order to calculate the credit equivalent amount of these instruments, a bank should add together:

(a) the total replacement cost (obtained by marking to market) of all its contracts with a positive value; and

(b) an amount for potential future credit exposure which reflects the residual maturity of the contract, calculated as a percentage of notional principal amount according to the following matrix.

Residual maturity	Interest rate contracts	Exchange rate contracts
One year or less	Nil	1.0%
Over one year	0.5%	5.0%

Institutions should record a potential future credit exposure in respect of all OTC derivative contracts that might in the future have a positive mark-to-market value. Thus for a given contract, an amount may arise under (b) even if no amount arises under (a).

No potential exposure should be calculated for single currency interest rate basis swaps; the credit equivalent amount on these contracts should be evaluated solely on the basis of mark-to-market value.

FORM B7
ANALYSIS OF PROFITS, LARGE EXPOSURES AND CERTAIN OTHER MISCELLANEOUS INFORMATION

INTERNAL VALIDATIONS

Ref no	B7 item numbers		
1	1	=	1.1 +1.2 + 1.3 + 1.4 + 1.5 + 1.6
2	2	=	2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6 + 2.7
3	3	=	1 – 2
4	4	=	4.1 + 4.2 + 4.3 + 4.4
5	5	=	3 – 4 or 1 – 2 – 4
6	6	=	B6.1 + B6.2 + B6.3 + B6.4 + B6.5 + B6.6 + B6.7 + B6.8 + B6.9
7	7	=	7.1 + 7.2 + 7.3 + 7.4
8			Superceded by validation 38, SRN/2001/1
9	S10.7	=	S10.1 + S10.2 + S10.3 + S10.4 + S10.5 + S10.6
10	G10.7	=	B10.1 + B10.2 + B10.3 + B10.4 + B10.5 + B10.6
11	T10.7	=	T10.1 + T10.2 + T10.3 + T10.4 + T10.5 + T10.6
12	T10.1	=	S10.1 + G10.1
13	T10.2	=	S10.2 + G10.2
14	T10.3	=	S10.3 + G10.3
15	T10.4	=	S10.4 + G10.4
16	T10.5	=	S10.5 + G10.5
17	T10.6	=	S10.6 + G10.6
18	T10.7	=	S10.7 + G10.7
19	T10.3	=	4.1
20			Superceded by validation 39, SRN/2001/1
21			Superceded by validation 40, SRN/2001/1
22			Superceded by validation 41, SRN/2001/1
23			Superceded by validation 42, SRN/2001/1
24			Superceded by validation 43, SRN/2001/1
25			Superceded by validation 44, SRN/2001/1
26			Superceded by validation 45, SRN/2001/1
27			Superceded by validation 46, SRN/2001/1
28	11LE1	=	11LE1A + 11LE1B + 11LE1C + 11LE1D + 11LE1E + 11LE1F + 11LE1G + 11LE1H + 11LE1J + 11LE1K + 11LE1L + 11LE1M + 11LE1N + 11LE1P + 11LE1Q + 11LE1R + 11LE1S + 11LE1T + 11LE1U + 11LE1V
29	11LE2	=	11LE2A + 11LE2B + 11LE2C + 11LE2D + 11LE2E + 11LE2F + 11LE2G + 11LE2H + 11LE2J + 11LE2K + 11LE2L + 11LE2M + 11LE2N + 11LE2P + 11LE2Q + 11LE2R + 11LE2S + 11LE2T + 11LE2U + 11LE2V

30	11LE3	=	11LE3A + 11LE3B + 11LE3C + 11LE3D + 11LE3E + 11LE3F + 11LE3G + 11LE3H + 11LE3J + 11LE3K + 11LE3L + 11LE3M + 11LE3N + 11LE3P + 11LE3Q + 11LE3R + 11LE3S + 11LE3T + 11LE3U + 11LE3V
31	11LE4	=	11LE4A + 11LE4B + 11LE4C + 11LE4D + 11LE4E + 11LE4F + 11LE4G + 11LE4H + 11LE4J + 11LE4K + 11LE4L + 11LE4M + 11LE4N + 11LE4P + 11LE4Q + 11LE4R + 11LE4S + 11LE4T + 11LE4U + 11LE4V
32	11LE5	=	11LE5A + 11LE5B + 11LE5C + 11LE5D + 11LE5E + 11LE5F + 11LE5G + 11LE5H + 11LE5J + 11LE5K + 11LE5L + 11LE5M + 11LE5N + 11LE5P + 11LE5Q + 11LE5R + 11LE5S + 11LE5T + 11LE5U + 11LE5V
33	12LE1	=	12LE1A + 12LE1B + 12LE1C + 12LE1D + 12LE1E + 12LE1F + 12LE1G + 12LE1H + 12LE1J + 12LE1K + 12LE1L + 12LE1M + 12LE1N + 12LE1P + 12LE1Q + 12LE1R + 12LE1S + 12LE1T + 12LE1U + 12LE1V
34	12LE2	=	12LE2A + 12LE2B + 12LE2C + 12LE2D + 12LE2E + 12LE2F + 12LE2G + 12LE2H + 12LE2J + 12LE2K + 12LE2L + 12LE2M + 12LE2N + 12LE2P + 12LE2Q + 12LE2R + 12LE2S + 12LE2T + 12LE2U + 12LE2V
35	12LE3	=	12LE3A + 12LE3B + 12LE3C + 12LE3D + 12LE3E + 12LE3F + 12LE3G + 12LE3H + 12LE3J + 12LE3K + 12LE3L + 12LE3M + 12LE3N + 12LE3P + 12LE3Q + 12LE3R + 12LE3S + 12LE3T + 12LE3U + 12LE3V
36	12LE4	=	12LE4A + 12LE4B + 12LE4C + 12LE4D + 12LE4E + 12LE4F + 12LE4G + 12LE4H + 12LE4J + 12LE4K + 12LE4L + 12LE4M + 12LE4N + 12LE4P + 12LE4Q + 12LE4R + 12LE4S + 12LE4T + 12LE4U + 12LE4V
37	12LE5	=	12LE5A + 12LE5B + 12LE5C + 12LE5D + 12LE5E + 12LE5F + 12LE5G + 12LE5H + 12LE5J + 12LE5K + 12LE5L + 12LE5M + 12LE5N + 12LE5P + 12LE5Q + 12LE5R + 12LE5S + 12LE5T + 12LE5U + 12LE5V
38	8	=	8.1 + 8.2 + 8.3 + 8.4 + 8.5 (Replaces validation 8, SRN/2001/1)
39	1.6A	≤	1.6 (Replaces validation 20, SRN/2001/1)
40	1.6B	≤	1.6 (Replaces validation 21, SRN/2001/1)
41	1.6C	≤	1.6 (Replaces validation 22, SRN/2001/1)
42	1.6	≥	1.6A + 1.6B + 1.6C (Replaces validation 23, SRN/2001/1)
43	2.7A	≤	2.7 (Replaces validation 24, SRN/2001/1)
44	2.7B	≤	2.7 (Replaces validation 25, SRN/2001/1)
45	2.7C	≤	2.7 (Replaces validation 26, SRN/2001/1)
46	2.7	≥	2.7A + 2.7B + 2.7C (Replaces validation 27, SRN/2001/1)
47	FSA	>	0 **(Introduced SRN/2001/2, effective December 2001)**

BSD3 REPORTING INSTRUCTIONS

These instructions should be read in conjunction with the Supervisory Guidance Notes as necessary. For convenience, these reporting instructions will refer to the Supervisory Guidance Notes as 'SGN', the FSA Banking Supervisory Policy Guide as 'FSA Policy Guide', and the Interim Prudential Sourcebook for Banks as 'IPRU (BANK)'.

A1 Currency of completion

The form should be completed in Sterling until further notice. This box has been included in preparation of possible future entry to EMU by the UK.

SECTION A: BANKING BOOK

ASSETS

A10 Cash

Notes and coin, including holdings of notes issued by the appropriate authority which are required to be held as backing for the reporting institution's own issue of bank notes. (Gold coin should be reported in item A20 unless there is difficulty in separately identifying such holdings.)

A20 Gold bullion and coin

Physical holdings of gold bullion and gold coin beneficially owned by the reporting institution, including that held on an allocated basis by other institutions. Gold held as custodian for others should not be reported. Short positions in gold should not be reported here but reported with liabilities in this return.

The treatment of other precious metals (silver, platinum and palladium) should be discussed with the Financial Services Authority (FSA). (See also item A260.)

A30 Cash items in the course of collection

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

A40 Items in suspense

All debit balances not in customers' names but relating to customers' funds, eg debit balances awaiting transfer to customers' account rather than the reporting institution's own internal funds. Also report funds of the reporting institution lodged with applications for new issues, even if the funds may be returnable, and items in the course of settlement (amounts receivable in respect of transactions not due until a future settlement date, where the asset is to be reported on a contract date basis).

Items in the course of settlement resulting from securities transactions should be treated as follows:

(a) Sales of securities from the banking book where delivery will only take place against receipt of cash ("cash against documents"):

(i) amounts receivable where the transactions have not reached settlement date should be reported in the 0% band;

(ii) amounts receivable where the transactions are up to and including 4 days past due settlement date should be reported in the 0% band;

(iii) when an unsettled transaction is more than 4 days past the due settlement date, a capital requirement should be calculated based on either the potential loss on the deal, defined as the difference between the amount due and the current market value of the security being settled (column one below) or the agreed settlement price (column two below). That capital requirement should be entered in item A40.5 and be weighted at 100%. The difference between the capital requirement and the total amount receivable should continue to be weighted at 0%.

Number of Working Days past due settlement date	Column One Percentage of Potential Loss	Column Two Percentage of Agreed Settlement Price
0 - 4	Nil	Nil
5 -15	8%	0.5%
16-30	50%	4.0%
31-45	75%	9.0%
46 or more	100%	100% of Potential Loss (as Column 1)

(b) Transactions in tradeable securities involving the delivery of the securities (cash), when the cash (securities) are not received at the same time ("free delivery"):-

(i) if settlement of the transaction is effected across a national border, amounts receivable up to and including one business day after the securities (cash) have been delivered without the cash (securities) being received in return should be reported in the 0% band;

(ii) all unsettled transactions more than one day past the due settlement date should be weighted according to the counterparty of the transaction.

(c) Settlement risk arising from trading securities in the Trading Book should be reported in the Trading Book column of item A40. The capital requirement should also be reported in item B10 (Free Deliveries) or item B50 (Unsettled Transactions).

In the case of rolling settlement dates the due settlement date should be interpreted as the first settlement date, ie the settlement date before the settlement date is rolled over.

A50-A110 LOANS, ADVANCES AND BILLS HELD

Funds lent to or placed with customers/counterparties including :

(a) the book value of assets leased out under finance lease agreements net of deferred tax provided, but legally owned by the reporting institution;

(b) holdings of certificates of deposit (other than those issued by the reporting institution) 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);

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

(d) acceptances discounted;

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

(f) initial margin payments with futures markets. These are effectively exposures to a recognised exchange and will therefore attract a weight of 20% (unless the exchange is not recognised for this purpose, see Chapter BC (Credit Risk In The Banking Book), Section 5, of the FSA Policy Guide/IPRU (BANK), as relevant, in which case a weight of 100% will apply).

Exclude unearned finance charges.

Bills, etc

Enter at book value bills, promissory notes and other negotiable paper owned (including à forfeit paper). These items (including those bills eligible for rediscount at the Bank of England and other central banks) should be reported in the categories below according to the drawee; the weighting for accepting bills, however, should be determined according to the acceptor.

Accruals

Wherever possible, accruals should be reported against the relevant category of counterparty (see SGN7).

Export credit

Report in the 0% band of the relevant counterparty category all medium and long-term lending (ie with an original maturity of two years and over) covered by an unconditional ECGD bank guarantee (Supplier Credit Finance Facility, Buyer Credit, ECGD guaranteed Lines of Credit and any outstanding lending under the, now discontinued, Specific Bank Guarantee, Comprehensive Extended Terms Bank Guarantee and all lending supported by a FINCOBE endorsement of by an irrevocable letter of credit, confirmed by a bank, which, in turn, has obtained an ECGD guarantee on its confirmation).

Only the part of the loan fully and unconditionally guaranteed by ECGD should be reported in the 0% band (that part of the loan not guaranteed by ECGD should be reported in other weighting bands as appropriate).

The reporting institution should report in the 0% band its own participation in syndicated loans made under ECGD bank guarantee, even if it does not itself hold the guarantee.

The following should not be reported in the 0% band:

(a) lending under ECGD bank guarantees where the cover is conditional in that it is restricted to certain political risks (eg confiscation cover or, cover under option 1 or 2 of the Project Financing Scheme);

(b) outstanding lending supported by an ABE endorsement under the (now discontinued) ECGD Comprehensive Extended Terms Guarantee;

(c) loans made against assignments of rights by exporters to the reporting institution under ordinary ECGD policies; and

(d) loans made against the security of ECGD insurance cover.

Lending under equivalent schemes operated by other Zone A countries, and Zone B countries where denominated in local currency and funded in that currency, should be reported in the 0% band to the extent of the cover. Reporting institutions should agree with the FSA which schemes may be regarded as "equivalent" and merit a 0% weighting.

Where lower risk weights have been applied as a result of export credit guarantees, an entry should be made in Appendix A-III.

Factoring

Report the total amount of debts assigned to the reporting institution under factoring or other similar arrangements as an exposure to the debtor.

Where the debt is assigned to the reporting institution with no recourse the debt should be weighted as a claim on the debtor.

Where the debt is assigned to the reporting institution for no consideration and on a recourse basis the debt should be weighted at 0%.

Where the debt is assigned to the reporting institution for a consideration and on a recourse basis the amount of the consideration should be weighted as a claim on the debtor and the remaining portion should be weighted at 0%.

Where a guarantee has been given eg from the assignor's parent, the risk weighting of the guarantor may be applied.

A50 Central governments and central banks

Deposits placed with, and loans made to central governments and central banks, including funds which the reporting institution is required to place on deposit with central banks and monetary authorities. Include in the 10% weighting band Treasury bills and any other bills (by definition with one year or less original maturity) issued by central governments and central banks.

Include similar claims on the European Commission, the European Economic Community (EEC), the European Coal and Steel Community (ECSC) and Euratom.

Do not report balances with international organisations such as the Council of Europe, the United Nations or European Space Agency in this item; they should be reported in item A100 in the 100% band.

A60 Lending to group companies

Claims on those group companies which are not required to be consolidated for the purposes of this return should be recorded. Only claims on group companies which meet the conditions set out in Chapter CS (Consolidated supervision), Section 3, Paragraph 2(b), of the FSA Policy Guide/IPRU (BANK) should be reported in the 0% band. Those claims which are eligible for inclusion in the 0% band should first be agreed with the FSA.

For the unconsolidated return, include lending to subsidiaries and associates included in the consolidated RAR and those that would be included were it not for the fact they are supervised by another UK regulator until the Financial Services and Markets Act 2000 is in force.

A70 Banks and investment firms (including building societies & MDBs).

For the definition of banks, investment firms and multilateral development banks (MDBs), see SGN20 and SGN Appendix E.

A80 Public sector entities

For the definition of public sector entities, see SGN23.

A90 Loans secured by mortgage(s) on residential property

Report loans to individuals secured by mortgage on residential properties (both freehold and leasehold) which are or will be occupied by the borrower, or which are rented, where such loans are fully secured by a first priority charge. If any part of the property is used for non-residential purposes, the mortgage loan should not be reported here but should be reported in item A100. However, mortgage loans secured on property where the occupier works at home but no structural alterations are required to return the property to full residential use may be reported here.

Report mortgage loans to housing associations[*] registered with the Housing Corporation, Scottish Homes and Tai Cymru (Housing for Wales), and to housing companies that are registered with Scottish Homes, which are fully secured by a first priority charge on housing association/company residential property which is rented.

Report loans to the Housing Finance Corporation which are secured by a first priority charge over its assets.

Report mortgage sub-participations which are fully and specifically secured against residential mortgage loans which are eligible for a 50% weight.

For the purposes of this item the following definitions apply:

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[*] Also called 'residential social landlords'.

"Fully secured" means that the value of the property is greater than or equal to the value of the loan (ie a maximum loan to value ratio of 100%). Whilst there is no requirement for reporting institutions to revalue properties on a regular basis, where such valuation has been made and it is found that the loan to value ratio exceeds 100%, such loans should be weighted at 100% (and reported in item A100). (However, if the shortfall in the security value is fully covered by a specific provision, the net amount of the exposure may continue to be weighted at 50%). Conversely, where revaluation indicates that the loan to value ratio has fallen to 100% or less, the loan may be weighted at 50% and reported in item A90.

"First priority charge" means a first fixed (legal or equitable) charge or a first floating charge. In the case of the latter, reporting institutions should ensure (by, for example, including a negative pledge to this effect in the documentation) that no prior ranking charges can be taken over the assets concerned.

The above treatment may also be applied to loans to special purpose mortgage finance vehicles which include covenants restricting the vehicles' activities to mortgage business and which provide for the loan to be repaid on demand should the covenants be breached and which also meet the criteria to be met by mortgage backed securities qualifying for a 50% risk weighting set out in item A150.

A100 Other loans, advances and bills held

Report here exposures to counterparties not already included above, including exposures to recognised clearing houses and exchanges.

The Council of Europe, United Nations and its agencies (other than the World Bank and International Finance Corporation - see SGN Appendix E), European Space Agency and Eurofirma should be included here rather than under item A50. Report balances with Euroclear and Cedel in the 20% band.

A120-A190 INVESTMENTS

Report securities, together with any associated accrued interest, with an original maturity of over one year such as equities, eurobonds and FRNs (instruments with an original maturity of one year or less should be reported in items A50-A110). All securities (including British Government stocks) should be reported on a contract day basis, with the payments due or receivable in respect of such transactions to be shown gross in items A760 and A40. Only long positions in securities should be reported in this section of the return (see SGN27). Where it is not possible to identify separately interest accruals they should be reported in item A260 in the appropriate risk weighting band.

Enter in items A130, A140, A150, A170 and A180 securities guaranteed by central governments or central banks meeting the conditions for guarantees (see SGN28) at either 10% or 20% depending on whether the residual maturity of the security is one year or less or over one year respectively. If the guarantor is a Zone B central government or central bank, the security must be in the local currency of the issuer and guarantor.

A120 Central governments and central banks

Holdings of securities and debt instruments (other than bills - see item A50) issued by central governments and central banks. Include such instruments issued by the European Commission, the European Coal and Steel Community and Euratom.

Only holdings of certificates of tax deposit should be reported in the 0% band together with interest accruals on holdings of securities and debt instruments where the issuer is a Zone A central government or central bank or where the issuer is a Zone B central bank or government and the security is in the local currency of the issuer. For the determination of the appropriate weight band for other securities held, see SGN15. Where it is not possible to identify separately interest accruals they should be reported in item A260 in the appropriate risk weighting bands.

Report both the gross long position and net long position (ie the gross long position minus the gross short position - item A120 less item A710) in such securities (see SGN27). The total (item A120) should be the sum of the gross long positions. If there are no short positions relevant to a particular band, the net long position box should nevertheless be completed showing an amount equal to the gross long position.

See SGN27 for the treatment of short positions in these securities taken on behalf of the reporting institution by related Gilt Edged Market Makers.

A130 Public sector entities

For the definition of public sector entities, see SGN23.

A140 Banks (unsubordinated FRNs etc)

Unsubordinated FRNs and similar types of non-capital debt instruments issued by banks and investment firms (for definition, see SGN20) with an original maturity of over one year. In the case of securities issued by Zone B banks, the weighting applied shouldbe 20% if the residual maturity is one year or less and 100% if over one year.

Holdings of subordinated debt issued by Multilateral Development Banks (as listed in SGN Appendix E) attract a risk weighting of 100%.

A150 Mortgage backed securities

Only holdings of US GNMA securities with a floating rate, or with a fixed rate if the residual maturity is one year or less, should be reported in item A150.1. Fixed rate GNMA securities with a residual maturity of over one year together with FHLMC and FNMA mortgage backed securities should be reported in item A150.2.

Stripped bonds should be reported in the 100% risk weight category regardless of counterparty.

Report in item A150.3 holdings of securities issued by special mortgage finance vehicles which meet the following conditions (also set out in Chapter BC (Credit risk in the banking book), Section 3, Paragraph 7d, of the FSA Policy Guide/IPRU (BANK)). Holdings of securities which do not meet these conditions should be reported in item A150.4.

(i) they are fully secured against residential mortgages which meet the conditions set out in item A90, with a first priority charge;

(ii) the vehicle's activities are restricted by its articles of association to mortgage business. The vehicle may also hold assets qualifying for a risk weighting of 50% or less;

(iii) the mortgage loans must are not in default at the time at which they are transferred to the vehicle;

(iv) the notes embody an express promise to repay the bearer;

(v) the issue documentation contains provisions which would ultimately enable noteholders to initiate legal proceedings directly against the issuer of the mortgage backed security. As an example such provisions would allow noteholders to proceed against the issuer where the trustee, having become bound to take steps and/or to proceed against the issuer, fails to do so within a reasonable time and such failing is continuing;

(vi) the documentation contains provisions which would ultimately enable noteholders to acquire the legal title to the security (ie the mortgagee's interest in it) and to realise the security in the event of a default by the mortgagor.

Report in item A150.4 notes:

(i) issued by those companies whose business is not limited as specified above by their articles of association; and/or

(ii) which absorb more than their pro rata share of losses in the event of arrears or default, eg junior notes, and/or

(iii) where the security agreement does not provide that noteholders remain fully secured at all times; and/or

(iv) where mortgage loans backing the securities were in default at the time when they were transferred to the vehicle.

A160 Investments in subsidiaries and associated companies

In determining which entities count as subsidiaries and associated companies, the same accounting treatment should be adopted as that used in the preparation of statutory accounts.

Investments that have a negative value should not be offset against those with a positive value. Investments that have a negative value should instead be reported in item A260.1 until they again have a positive value.

Where the 'embedded value' method is used to value investments in life assurance subsidiaries and associates, the value using this method should be reported here.

When completing this return on a consolidated basis, investments in subsidiary and associated companies should not be included when those companies are included in the consolidation.

A170 Investments in bank and financial firm capital

All items reported here should be shown at full book value, with no reduction for any amortisation which the issuer may be applying in calculating its own capital base. Any amounts shown in respect of net underwriting commitments should be shown at book value and not reduced to take account of any scaling factors which may have been agreed by the FSA; this may result in a difference between the figures shown here and those on the Form M1. Banks which have agreed a trading book or other concession with the FSA **should complete the Form M1.**

Report here

(i) all long, physical positions in instruments which are included in the capital of the issuing credit or financial institution (including such instruments sold under sale and repurchase or similar agreements, instruments carrying third party guarantees (including central government guarantees), American depository receipts, and net commitments to underwrite new issues of such instruments (from working day zero);

(ii) all indirect holdings of credit or financial institution's capital taken via instruments issued by their holding companies or vehicles whose business is exclusively or mainly to hold or repackage credit and/or financial institutions' capital instruments. (The FSA may however agree that it is appropriate not to include these where the instruments are fully protected from any risk on the underlying capital instruments);

(iii) equity holdings in investment trusts, and holdings of units in unit trusts, mutual funds or other investment vehicle established exclusively or mainly to hold credit or financial institutions' capital instruments;

(iv) any other holdings of instruments of a capital nature relating to credit or financial institutions.

A credit institution is an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account. The term financial institution for the purposes of this item should be taken to include all directly regulated or supervised institutions or financial holding companies whose exclusive or main business is to carry out one or more of activities listed in points 2-12 in Annex I to the Banking Consolidation Directive (2000/12/EC). These activities are outlined in Chapter CA (Definition of capital), Section 10, of the FSA Policy Guide/IPRU (BANK). Long and short positions in any of the above may be netted only where they are in identical instruments.

Banks need <u>not</u> report here

(i) short positions in capital instruments; or

(ii) exposures to capital instruments taken through forward purchases, futures, options and other derivative instruments.

Where banks are unsure what instruments it is appropriate to deduct they should refer to their line supervisor.

Unless the conditions set out in Section 10.3 of Chapter CA (Definition of capital) of the FSA Policy Guide/IPRU (BANK) apply, all holdings of bank and financial institution capital instruments held in the Banking Book should be reported in item A171 as deductible. Banks which do not have a Trading Book concession should also report all holdings of bank and financial institution capital instruments in the Trading Book as deductible in item A171. Banks should ordinarily record the book value of their holdings. However, where banks are underwriting the capital instruments of banks and financial institutions they may apply the relevant scaling factors listed in Chapter TU (Underwriting in the capital adequacy framework), Section 3, Paragraphs 8-10, of the FSA Policy Guide/IPRU (BANK).

The value of items falling within the Trading Book concession as reported on Form M1 should be entered in item A172. It may be appropriate to risk weight other holdings. The reporting institution should obtain the FSA's agreement before including such other holdings.

Where scaling factors have been applied to capital instruments reported in A171, the sum of A171 and A172 will not necessarily equal to the amount reported in item A170.

A180 Qualifying holdings / other investments

Report here any qualifying holdings in commercial companies which are not reported as subsidiaries or associates. A reporting institution's holding constitutes a 'qualifying holding' if it is a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which the holding subsists.

Banks may not include positions where

- the shares held are not financial fixed assets;
- the FSA has agreed that non-deduction is appropriate in cases where the shares are held temporarily during a financial reconstruction or rescue operation;
- the shares are held during the normal course of underwriting;
- the shares are held in the bank's name on behalf of others; or
- the shares are held in exceptional circumstances. Banks should obtain the FSA's agreement to non-deduction in such cases. The FSA is only likely to agree non deduction is appropriate where the bank has increased its capital or taken other equivalent measures, or has agreed to do so.

All banks which have qualifying holdings **should complete the Form M1**. Any qualifying holding which is in excess of the thresholds indicated on form M1 should be reported as deductible. The deductible amount reported in item A180.4 should equal the deductible holdings reported on Form M1. Non-deductible holdings should be reported in items A180.1 to A180.3.

Other Investments in counterparties not already included in items above (ie items 120 to 170) and are not qualifying holdings as defined in above should be reported in A180 and in items A180.1 to A180.3 as appropriate.

A200-A260 OTHER ASSETS

A210 Other intangible assets

Only report in item A210.1 mortgage servicing rights where there is an active and liquid market in which they can be traded. At present, this condition is only met in respect of mortgage servicing rights traded in the US market. (Valuation of these items should be discussed with the FSA.)

A220 & A230 Own premises and other property/real estate

Own premises should include the value in its books of property occupied or being developed for occupation by the reporting institution. Also report in item A220 property which is occupied or is for the purpose of occupation by employees of the reporting institution. Other property and real estate beneficially owned by the reporting institution but not occupied or used in the operation of its business should be reported in item A230.

A240 Operating leases

Report equipment owned by the reporting institution which has been leased out under an operating lease. Report any contracted future rental payments (net of future finance charges) weighted according to the lease; the residual value of the asset should be reported in the 100% weighting band.

A250 Plant, equipment and other fixed assets

This should include plant and equipment owned or recorded as such by the reporting institution and used in connection with its own business. Equipment leased out under operating leases should not be reported here but in item A240. Equipment leased out under finance leases should be reported in items A50 to A110.

Where the reporting institution is the lessee under a finance lease, or a hirer under a hire purchase contract, the asset should be recorded in the 100% band. If the reporting institution is acting as a broker or agent for a sub-lease or back-to-back lease, the asset should not be reported on the balance sheet provided that there is no recourse to the reporting institution in the event of a default (see Chapter SE (Securitisation and asset transfers) of the FSA Policy Guide/IPRU (BANK)).

A260 Other assets

Report any other assets not reported elsewhere, eg sundry debtors, prepayments and accruals not identified elsewhere (see SGN7). Also include investments in subsidiaries and associated companies where the value of these investments is currently negative (investments with a positive value should be reported in A160).

Overall net positive mark-to-market valuations of interest rate, foreign exchange, equity, commodity and precious metals related contracts in the Banking Book should be weighted at 0% here - see items A472, A474, A452. Overall net negative mark-to-market values should be included under item A760.2. Assets relating to premia paid out on interest rate and foreign exchange options contracts bought on exchanges and subject to daily margining requirements should be reported under item A260.1. Also include in A260.1 negative investments in subsidiaries and associated companies.

In appropriate cases, physical positions in respect of commodities may be reported here. Reporting institutions should agree such cases with the FSA before reporting on this basis. Physical positions should be weighted at 100%. Positions in different commodities should not be netted.

Deferred tax assets should be included in item A260.4.

A265 Assets consolidated via Aggregation Plus

When completing this return on a consolidated basis, which includes subsidiaries consolidated via aggregation plus (rather than on a line by line basis), the total assets of the subsidiaries consolidated in this manner should be reported in this box. Intra-group assets should be excluded.

A280-A330 MEMORANDUM ITEMS

A280 Connected lending of a capital nature

Report all connected lending of a capital nature and indicate, in the lines provided, in which weight band on the assets section of this return the lending has been reported. Also report both long term subordinated loans and one-off payments by the reporting institution to vehicles established for loan packaging schemes, where the reporting institution is the servicing agent (see Chapter SE (Securitisation and asset transfers) of the FSA Policy Guide/IPRU (BANK)). For the definition of a connected counterparty see SGN13.

Do not report loans to subsidiaries and associated companies where the loan has already been reported in item A160.

Any items included here should be excluded from total risk assets in the appropriate risk weight band in Section B (see note to item B330). If doubt exists as to the inclusion of an asset in this item refer to the FSA for guidance.

A290 Loans to directors, controllers and their associates

Directors, controllers, and their associates are as defined in sections 417, 178/180, and 422 of the Financial Services and Markets Act 2000 respectively (and in Section 105 of the Banking Act 1987 as amended by The Banking Co-ordination (Second Council Directive) Regulations 1992). Loans to employees of a reporting institution's parent undertaking should also be included here. Indicate, in the lines provided, in which weight band on the assets of this return the lending has been reported.

If a loan reported here is of a capital nature, it should be included additionally in item A280.

A300 Loans to non-group companies with which directors and controllers are associated

For the purposes of this item (refer to SGN12 and 13), include as a director/controller any employee of the reporting institution who is appointed by the reporting institution to be a director of another company.

Any employee of the reporting institution is deemed to be associated with another company, whether the company is registered or domiciled in the UK or overseas, if any of the conditions set out in SGN14 are met:

The definition should be consistent with that adopted for reporting on Form LE2.

Indicate, in the lines provided, in which weight band on the assets section of this return the lending has been reported.

If a loan reported here is of a capital nature, it should be included additionally in item A280.

A310 Direct credit substitutes give on behalf of connected counterparties.

For the definition of connected counterparties, see SGN13. Indicate, in the lines provided, in which weight band within item A340 the direct credit substitute has been reported.

A320 Investments in central governments and central banks (net short positions)

Report net short positions in central government and central bank securities. This should equal item A710.1 after allowing for any long positions in the same securities (see SGN27).

See SGN27 for the treatment of short positions in these securities taken on behalf of the reporting institution by related Gilt Edged Market Makers.

All positions after weighting shown here should be reported with a positive sign.

A330 Encumbered assets

List in these lines any assets not freely available to meet the claims of the generality of creditors in a liquidation of the reporting institution because they are subject to charge, pledge or other restriction.

Under item A330.1, list the assets and the item number (indicating whether in the Banking Book or Trading Book) within the return to which they refer, which have been given as security in connection with the reporting institution's participation in a payments/settlements system such as CREST or Euroclear. The particular payments/settlements system should be listed with the liabilities being secured at the reporting date recorded under column 1. For the purposes of detailing the total amount of assets securing liabilities, assets pledged in excess of the actual liability to individual systems at the reporting date should not be reported.

Under item A330.2, list the assets and the item number on the return to which they refer, which have been given as security to secure the reporting institution's other liabilities (for example, property which has been mortgaged and hire purchase agreements pledged as collateral). Assets reported should exclude any element of unearned finance charges.

Total liabilities being secured at the reporting date (item A330, column 1) should equal the sum of items A330.1 and A330.2 below. Total assets at the reporting date securing liabilities reported in column 1 (item A330, column 2) will not necessarily equal the sum of items A330.1 and A330.2 below as any asset which is securing more than one creditor should not be double counted in the total.

A335 Deduction plus subsidiaries

When completing this return on a consolidated basis, which includes subsidiaries consolidated via deduction plus, the total assets of the subsidiaries consolidated in this manner should be reported in this box.

OFF BALANCE SHEET

For off-balance items A340 to A440, the principal amount should be shown.

The credit equivalent amount for off-balance sheet items is derived by first multiplying the nominal/principal amount by the given credit conversion factor. The weighted amount column is then derived by multiplying the resultant credit equivalent amount by the appropriate risk weight or by deducting it from the reporting institution's capital base (see SGN15).

Intra group off-balance sheet items should be reported under the relevant item and weighted according to the terms in the Chapter CS (Consolidated supervision), Section 3, Paragraph 2a, of the FSA Policy Guide/IPRU (BANK).

Multi-option facilities and other composite products should be disaggregated into their component parts, eg into a credit commitment, NIF, etc, and each component weighted according to the usual classification. However, components carrying the lowest conversion factors should be disregarded to the extent that the total value of all components exceeds the value of the facility.

A340 Direct credit substitutes

Direct credit substitutes relate to the financial requirements of a counterparty, where the risk of loss to the reporting institution 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 reporting institution'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 non-bank company authorised under the Financial Services Act (being replaced by the Financial Services and Markets Act 2000) which are considered as capital by the appropriate regulatory body until the Financial Services and Markets Act 2000 applies. Such guarantees given to a company which is not connected to the reporting institution should be weighted at 100% and those to a connected company should be deducted from the reporting institution's capital base (item A340.6);

(e) letters of credit not eligible for inclusion in item A360;

(f) standby letters of credit, or other irrevocable obligations, serving as financial guarantees where the bank 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 item A350 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);

(i) confirmations of letters of credit.

Direct credit substitutes of a capital nature

Any direct credit substitutes which are of a capital nature and connected to the reporting institution or given to another bank should be reported in item A340.6 and will be deducted from capital in the calculation of the risk asset ratio.

Include:

a) guarantees of other credit and financial institutions' capital instruments given by the reporting institution;

b) guarantees given by the reporting institution which are included in the supervisory capital of another credit or financial institution eg the subordinated guarantee of loan stocks raised by vehicle company subsidiaries of the reporting institution, where the loan stock is treated as subordinated term debt of the reporting institution should not be included here. (The FSA may however agree that a different treatment is appropriate. Reporting institutions should discuss such cases with the FSA.)

A350 Transaction-related contingents

Transaction-related contingents relate to the on-going trading activities of a counterparty where the risk of loss to the reporting institution 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 in this return);

(b) bid or tender bonds;

(c) advance payment guarantees;

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

(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).

A360 Trade-related contingents

Report short-term, self liquidating trade-related items such as documentary letters of credit issued by the reporting institution which are, or are to be, collateralised by the underlying shipment, ie where the credit provides for the reporting institution to retain title to the underlying shipment. Such letters should be weighted according to the counterparty on whose behalf the credit is issued and reporting whether or not the terms and conditions of the credit have yet to be complied with.

Letters of credit issued by the reporting institution without provision for the reporting institution to retain title to the underlying shipment or where the title has passed from the reporting institution should be reported under direct credit substitutes (item A340). A memorandum of pledge and a trust receipt are not regarded as giving the reporting institution title, and transactions secured by these should be shown under item A340.

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 reporting institution or for which the reporting institution is acting as reimbursement agent should not be reported.

A370 Sale and repurchase agreements

See SGN29.

Repos

Report sale and repurchase agreements (“repos”), ie when the reporting institution is the seller of the asset where the asset sold is not reported on the balance sheet. If the asset sold is kept on balance sheet it should not be reported here but in the relevant line in the on-balance sheet section of this return. When the asset does not appear on the balance sheet the weighting category is to be determined by the issuer of the security (or borrower in the case of a loan) and not according to the counterparty with whom the transaction has been entered into.

Purchase and resale agreements (“reverse repos”)should not be reported in item A370; the liability under such reverse repos should be reported under item A720.

The reporting institution should refer to the FSA where it has a repo in item A370 and offsettable short stock positions on balance sheet in item A320 or A710.2 which would comply with the guidance for the netting of stock positions (see SGN27).

A380 Asset sales with recourse

Asset sales with recourse where the credit risk remains with the bank fall into the weighting category determined by the asset and not according to the counterparty with whom the transaction has been entered into. Report put options written where the holder of the asset is entitled to put the asset back to the reporting institution, eg if the credit quality deteriorates. Also report put options written by the reporting institution attached to marketable instruments or other physical assets.

A390 Forward asset purchases

The weight should be determined by the asset to be purchased, not the counterparty with whom the contract has been entered into. 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.

A400 Forward forward deposits placed

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.

The weight should be determined according to the counterparty with whom the deposit will be placed.

A410 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 item A440).

A420 NIFs and RUFs

Note issuance facilities and revolving underwriting facilities should include the total amounts of the reporting institution'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 reporting institution, the underwriting obligation should continue to be reported at the full nominal amount.

The reporting institution's own holding of the notes should be reported in items A50 to A110 and therefore the nominal amount of the notes held should be deducted from the nominal amount of the facility to be shown here.

A430 Endorsements of bills

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

Where the reporting institution is the first endorser of a bill which has been accepted by a bank other than the reporting bank, such endorsements should be reported in item A430.1. (Where a reporting institution has endorsed its own acceptances no further amount should be reported than the acceptance reported in item A340.) If the reporting institution is not the first endorser of a bill already accepted by a bank, such endorsements may not be reported.

Endorsements of bills which have not been accepted by a bank should be reported in items A430.2 to A430.4 according to the risk weight category of the issuer; where such a bill has been previously endorsed by a bank, the reporting institution's endorsement will justify a 20% weight. Endorsements of bills which have been previously endorsed by two or more banks may not be reported.

A440 Other commitments

Report here other undrawn commitments, classified as to whether:

(i) they have an original maturity of one year or less or are unconditionally cancellable at any time (item A440.1); or

(ii) they have an original maturity of over one year (items A440.2 to A440.7) and are not unconditionally cancellable at any time.

The reporting institution is regarded by the FSA 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.

Rolling or undated/open-ended commitments (“evergreens” and including overdrafts) should be included under (i) providing that they are unconditionally cancellable at any time without notice and subject to credit review at least annually. Other rolling or undated commitments should normally be reported under (ii) (but see (b) below).

Unused credit card lines should be reported under (i).

Securities underwriting

Securities underwriting commitments should not be reported on this return, with the exception of NIFs and RUFs (item A420).

Commitments to provide capital to connected counterparties (and other banks)

Amounts reported under item A440.7 should be multiplied by the 50% credit conversion factor before entering, so that an appropriately reduced amount is carried through to Section D (item D420). If, however, the item would normally attract a credit conversion factor of 0% for the reasons above, it should continue to be reported under item A440.1.

Commitments with certain drawdown

Commitments for loans and other on-balance sheet items with certain drawdown should not be reported here but under item A390.

The maturity of a commitment

See SGN8 for general guidance on maturity. The maturity of a commitment should be determined in accordance with the following:

(a) Original maturity

The maturity of a commitment should be measured from the earlier of (i) thirty days (sixty days in the case of syndicated facilities) following the date of 'firm offer' or (ii) the date at which the facility becomes available to be drawn down, until its expiry date, after which the facility is no longer available to be drawn down.

The date of 'firm offer' will often be earlier than the date of signature of the agreement to provide a facility. For example, a 'firm offer' may still be subject to documentation and material adverse change. However, if an offer is made prior to the credit assessment of the customer and/or the institution reserves the right to withdraw the offer at its discretion, this should not be regarded as firm. In the case of a non-underwritten (or best efforts) syndicated facility, the date of 'firm offer' is deemed to be that on which the arranger(s) confirms to the potential borrower that the facility is fully subscribed. Where an institution(s) underwrites a facility which is subsequently to be syndicated (notwithstanding the fact that the offer to underwrite may be subject to documentation and 'force majeure' clauses), it should measure its commitment from the date of its 'firm offer'. However, if the subsequent syndication is 'successful', the underwriter(s) may then measure its commitment afresh from the same date as the syndicate banks ie the earlier of 60 days after the date on which the underwriter(s) confirms to the borrower the results of general syndication or the date at which the facility becomes available for draw down. Syndication of an underwritten commitment is deemed to be 'successful' if, after the close of syndication, the underwriter(s) is not left with more than:

(i) any specified target amount (in circumstances where such a precise target has been set and advised to the bank); or

(ii) 50% of the total underwritten amount.

The thirty day (sixty day in the case of syndicated facilities) 'window' is intended to be a reasonable period after the date of firm offer during which the practicalities of arranging a facility (eg finalising documentation) can be completed.

Even if the formal agreement to provide the facility indicates an original maturity of one year or under, a commitment should be reported as having an original maturity of over one year if the reporting institution assumes additional legal or moral obligations which imply a maturity of over one year. Reporting institutions should satisfy themselves that no such additional obligations exist.

Examples of facilities with such obligations include, but are not limited to:-

(i) facilities with provisions for extension in the documentation, other than in accordance with (b)(i) or (ii) below;

(ii) facilities which the customer reasonably expects to be extended automatically; and

(iii) facilities on terms which may be used to penalise an institution if it declines to extend a commitment in accordance with (b)(i) below; eg for the remaining period of the commitment the customer has the right to make drawings of a longer maturity or on otherwise better terms than if the institution had not declined to extend; or, in a syndicated facility where the borrower is able to draw on the institution individually before the other syndicate banks (up to the limit of its commitment) for the remaining period of the facility.

(b) *Extensions/renegotiations of commitments prior to their expiry date*

In cases where the terms of a commitment have been renegotiated and/or the maturity of a commitment extended, the original maturity should be measured from the start of the initial commitment (see (a) above) until the expiry date of the renegotiated/extended facility. The only exceptions should be where either:

(i) the 'firm offer' to extend the commitment is given in the final thirty days (sixty days in the case of syndicated facilities) of the initial commitment period, following a full credit assessment of the customer; or

(ii) the renegotiation/extension involves a full credit assessment of the customer and the reporting institution has the right, without notice, to withdraw the existing commitment at the time when the renegotiation/extension is requested and to refuse the request for the renegotiated/extended commitment.

In these two cases the extended/renegotiated facility may be reported as a new commitment. This applies equally to extensions/renegotiations of facilities of one year and under and facilities of over one year. Again the thirty day (sixty day for syndicated facilities) 'window' is considered a reasonable period after the date of firm offer in which the practicalities of extending a facility (eg finding replacement banks in a syndicate) can be completed. Reporting institutions should note that completion of new documentation may not be sufficient to cause a facility to be considered as a new commitment.

(c) *A commitment to provide a loan (or purchase an asset) which has a maturity of over one year but which must be drawn down within a period of one year or under.*

Such commitments should be treated as having a maturity of one year or under provided any undrawn portion of the facility is automatically cancelled at the end of the draw-down period.

(d) *A commitment to provide a loan (or purchase an asset) to be drawn down in a number of tranches, some where the availability of the commitment is one year or under, some where it is over one year.*

The whole commitment should be considered as having a maturity of over one year.

(e) *Commitments for fluctuating amounts*

Where a commitment provides for a customer to have a facility limit which varies during the period of the commitment, eg for seasonal reasons, the amount of the commitment should at all times be taken as the maximum amount that can be drawn under the commitment for the remaining period of the commitment.

(f) *Forward commitments*

A forward commitment is where the reporting institution is committed to making a facility available at a future date. The original maturity of the commitment should be measured from the earlier of

(i) thirty days following the date of 'firm offer' or

(ii) the date at which the facility is available to be drawn down, until the facility expires.

(g) *Commitments for off-balance sheet transactions*

A distinction is drawn between a commitment to provide an off-balance sheet facility which may or may not be drawn by the customer, and a commitment to provide an off-balance sheet instrument with certain draw-down. For example:

(i) a commitment of over one year to provide a trade related contingent facility at a future date which may or may not be drawn down should be given a credit conversion factor (ccf) of 50% (the ccf for long-term commitments) multiplied by 20% (the ccf for trade-related contingents), ie an effective ccf of 10%; report 20% of the principal amount in the relevant section in item A440, depending on the counterparty weight. Similarly, a long-term commitment to provide a guarantee facility would receive a ccf of 50% multiplied by 100%, ie an effective ccf of 50%; report 100% of the principal amount in the relevant section of item A440; but

(ii) a commitment (short-term or long-term) to provide a trade-related contingent item where it is certain that the draw-down will occur at some date, or range of dates, in the future should be given a ccf of 20% (ie without multiplying by the relevant ccf for a commitment) and reported in the relevant section of item A360. Similarly, a commitment to issue a guarantee with certain draw-down at a particular date, or range of dates, in the future should receive a ccf of 100% and be reported under item A340.

(h) *'Linked' commitments*

Two or more commitments may be regarded as 'linked' if they are arranged simultaneously for the same or connected customer(s). Where a reporting institution enters into one or more commitment(s) of over one year and one or more commitment(s) of one year and under, these should be reported as 'linked' (ie aggregated and reported according to the maturity of the longer/longest of the commitments) where either:

(i) the facilities cannot be drawn down, renegotiated or cancelled separately; or

(ii) the customer is seeking two or more commitments for the same purpose and has no legitimate commercial reason for doing so.

Where a reporting institution enters into 'linked' commitments which begin and/or mature at different dates, the maturity of the combined commitment should be measured from the commencement of the first commitment (as set out in section (a) above) to the expiry date of the last commitment. For example, where one 'linked' commitment runs from January to January and another runs from June to June, the institution would report a single commitment of over one year (ie ccf of 50%) running from January to June.

A452 OTC Derivative Contracts (replacement cost method)

This item gives the capital requirement for counterparty risk on OTC derivatives contracts under the replacement cost method. It equals the Weighted Amount in item 60 of Appendix A-I.

Note the general comments for Appendices A-I and A-II on what appendices should be completed.

A462 Aggregate net short open foreign currency position

Reporting institutions which also complete Section B should not report a number in this item, as the capital requirement for foreign exchange risk should be calculated via item B180. All other reporting institutions should complete this item. The figure reported here should have a positive sign.

The aggregate net short position (net foreign exchange position) should be calculated in accordance with Chapter FX (Foreign exchange risk), Section 3, of the FSA Policy Guide/IPRU (BANK) as relevant. The amount reported in item A462 should be equal to Y+g in the notation of Chapter FX (Foreign exchange risk), Section 4.4, of the FSA Policy Guide/IPRU (BANK). However, where fx options business is undertaken, the following adjustments should be made:

(1) where the simple carve-out method is used, the options capital charges should be multiplied by 12.5 and added to the net short position, so that the amount reported in item A462 is equal to Y+g+12.5*(C+D) in the notation of Chapter FX (Foreign exchange risk), Section 4.4, of the FSA Policy Guide/IPRU (BANK).

(2) where one of the write-off methods is used, the options should not be included in the calculation of the net short position.

(3) where one of the other options methods are used, banks should consult their supervisor.

Institutions whose net open position calculated according to Chapter FX (Foreign exchange risk), Section 3, of the FSA Policy Guide/IPRU (BANK) is less than or equal to 2% of previous period's Large Exposures Capital Base may alternatively calculate their net open position as the difference between the value of foreign currency assets and the value of foreign currency liabilities (regardless of whether the result is long or short), on a consistent basis.

The basic method should be used to calculate foreign exchange risk unless the reporting institution is using a VaR model.

A472 & A474 Original exposure method

The original exposure method is not considered to be appropriate after end March 1999. The replacement cost method should be used to calculate the counterparty risk on OTC derivative contracts. Consequently, these boxes should contain zeros in future.

LIABILITIES

CORE CAPITAL - TIER 1

A480 Ordinary shares/common stock

This should be reported at nominal paid-up value; where shares have been issued at a premium, the premium should be reported under reserves (item A500.1). Partly-paid shares should be reported at the amount paid. Do not report the unpaid element of partly-paid shares, or authorised but unissued share capital; also exclude holdings by the reporting institution of its own shares and shares issued after 1 January 1992 by the capitalisation of property revaluation reserves.

A490 Perpetual non-cumulative preferred shares/stock

Report perpetual non-cumulative preferred shares/stock and perpetual non-cumulative preferred shares convertible into ordinary shares, including any such shares redeemable at the option of the issuer and with the prior consent of the FSA. Only shares which have been issued and paid up should be reported.

Preferred shares issued via limited purpose vehicles may be included here. Reporting institutions should obtain the agreement of the FSA before doing this.

A500 Reserves

A500.1 Share premium account

Report any amount received by the reporting institution in excess of the nominal value of shares reported in items A480 or A490. Any share premium in respect of Tier 2 instruments should be reported indistinguishably with those instruments.

A500.2 Disclosed prior years reserves (excluding item A580), disclosed current year's positive movement on reserves and negative movements on reserves

Report the disclosed, undistributed balance on profit and loss account attributable to previous years (ie revenue reserves), reserves arising from exchange rate translation differences and other reserves (eg capital redemption reserves and capital gifts). Do not report reserves arising from the revaluation of fixed assets; such reserves should be shown under item A580. Report here any adjustment in respect of dividends which are not covered by current year's profit verified by external audit.

Before publication of full year prior year reserves, include here any prior year's earnings which have been verified by external auditors in accordance with Chapter CA (Definition of capital), Section 5.3, of the FSA Policy Guide/IPRU (BANK).

Report here disclosed (ie published) current year's positive movement on reserves (other than those shown under item A580). If current year's movements on reserves are negative report these here (whether or not disclosed).

A500.3 Current year's retained profit verified by external audit

Report only current year's earnings (net of foreseeable charges) where they have been verified by external auditors (in accordance with Chapter CA (Definition of capital), Section 5.3, of the FSA Policy Guide/IPRU (BANK)) at the date the return is submitted to the FSA. However, if this verification took place **after** the date to which the return relates, the FSA should be alerted to this fact when the return is submitted. No deduction need be made for dividends that have not been announced by the reporting date. Interim retained earnings of subsidiaries within banking groups which have been verified by external auditors may also be reported even if they are not separately disclosed. Current year's profit that has not been verified by external audit should be reported in item A670. Current's year's losses should be reported in item A510.

If dividends paid or proposed before the reporting date exceed verified earnings, then that excess should be deducted from item A500.2 and '0' should be reported here.

Pension fund assets arising from either a pension fund surplus or deficiency should be deducted from this item. Pension fund liabilities arising from pension fund surpluses should be added; whereas pension fund liabilities arising from pension fund deficiencies should not be added back but should be added to item A760.2.

A510 Current year's losses

Report all current year's losses. Unpublished losses from the previous accounting period should also be shown here.

Where the reporting institution has verified its position, in accordance with Chapter CA (Definition of capital), Section 5.3, of the FSA Policy Guide/IPRU (BANK), up to an earlier reporting date, subsequent unverified profits do not reduce the loss reported here, but should instead be reported in item A670.

A520 Minority interests (in Tier 1 capital)

Where the reporting institution reports on a solo consolidated or consolidated basis, enter the claim by outside interests in Tier 1 capital items (see items A480 and A490) of any partly-owned subsidiary company or minority owned company which is included in this particular return.

A530 Total of items 480 to 520

This should equal the sum of items A480 to A520, taking account of any negative figures, ie those with **a minus sign**.

A540 Goodwill, other intangible assets and other adjustment

This should equal the sum of items A200 and A210.2. Include here the deduction for holdings of own shares not held for trading but which have not been excluded in item A480.

A550 Total Tier 1 capital

Tier 1 capital equals item A530 less any amounts reported in item A540.

SUPPLEMENTARY - TIER 2

A580 Fixed asset revaluation reserves

Report reserves relating to the revaluation of fixed assets. Report also shares issued by the capitalisation of property revaluation reserves after 1 January 1992.

A590 General provisions

Report general provisions that are held against possible or latent losses but where the losses have not as yet been identified. Provisions earmarked or held specifically against lower valuations of particular claims or classes of claims should not be reported here, but netted against the value of the asset against which they have been made (see SGN6). This item should include any general provisions against the value of investments.

A600 Hybrid (debt/equity) capital instruments

Report:

(i) Perpetual cumulative preferred shares, including such shares redeemable at the option of the issuer with the prior consent of the FSA, and including also share premia on these instruments;

(ii) Perpetual subordinated debt which meets the conditions for primary perpetual subordinated debt set out in Chapter CA (Definition of capital), Sections 6 and 8, of the FSA Policy Guide/IPRU (BANK), including such debt which is convertible into equity, either mandatorily or at the option of either the issuer or lender.

A610 Subordinated term debt

Report here the amount of subordinated term debt (ie the amount of principal outstanding before amortisation) which has been approved by the FSA as qualifying for inclusion in Tier 2 capital under the terms of Chapter CA (Definition of capital), Sections 7 and 8, of the FSA Policy Guide/IPRU (BANK) (see item A790). This item should equal the sum of items A790.21 column ”Sterling equivalent”, A790.22 column “Sterling equivalent” and A790.1.

A620 Minority interests in Tier 2 capital

Where the reporting institution reports on a solo consolidated or consolidated basis, enter the claim by outside interests in any partly-owned subsidiary or minority owned company in the form of any Tier 2 capital term.

ADJUSTMENT TO CAPITAL (see ANNEX 1 for details of calculation)

A621 Excess general provisions

The maximum amount allowable for inclusion in Tier 2 capital is 1.25% of total risk weighted assets. This item equals the greater of item (A590 **less** total risk weighted assets multiplied by 1.25%) and zero.

A622 Excess Tier 2 subordinated term debt

The maximum amount of Tier 2 subordinated term debt that qualifies for inclusion as capital is 50% of Tier 1 capital. Report here the subordinated term debt which exceeds the limit on Tier 2 subordinated term debt. This item equals the greater of (item A790 **less** 50% of A550) and zero.

Subordinated term debt that does not qualify for inclusion as capital (under the terms of Chapter CA (Definition of capital), Sections 7 and 8, of the FSA Policy Guide/IPRU (BANK)) should be reported in item A670.

A623 Amortisation on Tier 2 subordinated term debt

Report here the difference between the nominal amount of the stock and the amortised amount (ie item A610 **less** A790).

A624 Total of items A580 to A623

This equals the sum of items A580 to A620 **less** the sum of items A621 to A623.

A625 Tier 2 capital in excess of the overall limit / Excess Tier 2 capital

The maximum amount (ie the overall limit at the consolidated level, or the solo level when a bank is not part of a consolidated group) of Tier 2 (or Tier 2 plus Tier 3 for institutions that are subject to CAD capital requirements) which is eligible for inclusion as capital is 100% of Tier 1 capital. Where the reporting institution is exempt from the Capital Adequacy Directive capital requirements at the reporting date (see Chapter CB (Trading book/banking book division), Section 4, of the FSA Policy Guide/IPRU (BANK) for details of exemption), the amount by which Tier 2 capital exceeds Tier 1 capital overall should be reported here (ie it equals the greater of zero and (item A624 **less** item A550).

Where the reporting institution is subject to CAD capital requirement, the excess (Tier 2 plus Tier 3) capital which is not eligible for inclusion as capital equals the greater of (the sum of items A624, A631 and A633 **less** item A550) and zero. Tier 2 capital plus Tier 3 subordinated debt used to meet the Trading Book capital requirement is limited to 200% of Tier 1 capital used to meet those requirements. Tier 3 subordinated debt should first be designated as excess capital, if any excess capital remains when Tier 3 subordinated debt has been used up, then Tier 2 capital should be designated as being excess capital.

A630 Total eligible Tier 2 capital

This is item A624 **less** A625.

TRADING BOOK CAPITAL - TIER 3

A631 Short term subordinated debt

Report short term subordinated debt which has been approved by the FSA as qualifying for inclusion in Tier 3 capital detailed in Chapter CA (Definition of capital), Section 9.2, of the FSA Policy Guide/IPRU (BANK).

A633 Minority Interests (in short term subordinated debt)

Where the reporting institution reports on a solo consolidated or consolidated basis, enter the claim by outside interests in any partly owned subsidiary or minority owned company in the form of Tier 3 capital.

ADJUSTMENT TO CAPITAL (see ANNEX 1 for details of calculation)

A635 Excess Tier 3 debt

The overall limit on (Tier 2 plus Tier 3) capital which is eligible for inclusion as capital is 100% of Tier 1 capital. Excess (Tier 2 plus Tier 3) capital equals the greater of (the sum of items A624, A631 and A633 **less** item A550) and zero. Tier 3 subordinated debt should first be designated as excess capital, if any excess capital remains when Tier 3 subordinated debt has been used up, then Tier 2 capital should be designated as being excess capital. Report here the amount of Tier 3 capital which exceeds the overall limit.

A638 Total eligible Tier 3 Capital

Eligible Tier 3 capital is limited to 200% of Tier 1 capital left over after supporting the Banking Book capital requirements. Report Tier 3 capital not eligible for inclusion in item A635. This item equals the sum of items A631 and A633 **less** item A635.

OTHER CAPITAL

A660 Ineligible Tier 2 and Tier 3 capital

This is the capital which has been deducted from Tier 2 and Tier 3 capital as being not eligible for inclusion as capital. This item equals the sum of items A621 to A623, A625 and A635.

A670 Other capital

Report preference shares, perpetual loan stocks and subordinated term debt not accepted by FSA as qualifying for inclusion as capital within the terms of Chapter CA (Definition of capital), Sections 6-8, of the FSA Policy Guide/IPRU (BANK).

Also report working capital provided by a non-resident office of the reporting institution.

Report current year’s profits which have not been verified by external audit in accordance with Chapter CA (Definition of capital), Section 5.3, of the FSA Policy Guide/IPRU (BANK) and also any undisclosed profits relating to the previous year which have not been so verified.

OTHER NON-CAPITAL LIABILITIES

A680 Own bank notes issued

Bank notes in circulation, ie the reporting institution’s issue of notes less any own notes held.

A700 Marketable securities issued:

A700.1 Certificates of deposit

Report all certificates of deposit issued by the reporting institution, 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 reporting institution holds certificates of deposits which it has itself issued, these should not be reported in this return.

A700.2 Promissory notes and bills

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 institution.

A700.3 Unsubordinated FRNs and other long term paper

Report unsubordinated FRNs and other unsubordinated market instruments issued. Subordinated capital market instruments should be reported under item A610 or A631 as appropriate.

A710 Investments (short positions)

See SGN27. Do not use brackets in the weighted amount column.

Report gross short positions in securities issued by central governments and central banks under item A710.1 and gross short positions in other investments under item A710.2.

A720 Liabilities in respect of sale and repurchase agreements

See SGN29.

This entry applies to sale and repurchase agreements associated with reverse repos. Where the reporting institution reports assets reversed in on the balance sheet, the liability under such agreements should be reported here.

A730 Tax provisions

Deferred tax assets should be reported as an asset in item A260.4.

A750 Other provisions

Report provisions made other than those reported above (items A590, A730 and A740). Specific provisions (see SGN6) should also be excluded from this item, except where they have been created in respect of off-balance sheet items.

A760 Other

Report credit items in the course of transmission and items in suspense (including credit items in the course of settlement, to be shown separately in item A760.1).

Also report all internal accounts and other liabilities not reported elsewhere, eg sundry creditors and liabilities under finance leases.

Include net short positions in physical commodities where the FSA has agreed that commodity transactions may be included in the Banking Book.

Include also liabilities arising in respect of pension scheme deficiencies; those arising in respect of a pension fund surplus should be included under item A500.3.

A765 Non capital liabilities consolidated via aggregation plus

When completing this return on a consolidated basis which includes subsidiaries consolidated via aggregation plus, rather than on a line by line basis, the total liabilities of those subsidiaries should be reported here. Intra group capital and liabilities should be excluded.

A770 Total liabilities

This is the sum of items A530, A630 and A638 to A765. It should equal item A270.

A780-A790 MEMORANDUM ITEMS

A780 Deposits from connected customers

Connected customers are defined as other group companies (excluding those companies which are included in the consolidation of this particular return), directors, controllers and their associates, and non-group companies with which directors and controllers are associated as set down in items A290 and A300, and SGN12 and SGN13.

A790 Subordinated term debt

Only the issues of subordinated term debt which the FSA has agreed qualify for inclusion in Tier 2 capital under the terms of Chapter CA (Definition of capital), Sections 7 and 8, of the FSA Policy Guide/IPRU (BANK) should be reported here.

Report under item A790.1 only convertible subordinated term bonds which are mandatorily convertible into equity (but see item A600 for treatment of convertible subordinated perpetual debt). Subordinated bonds which are convertible into equity at either the issuer's or investors' option (where these bonds are not eligible for inclusion in item A600) should be reported under item A790.2.

Dated preference shares and subordinated, unsecured loan stocks of over 5 years' original maturity issued by the reporting institution should be shown after amortisation in item A790.2. The amount shown in item A790.2 should be further divided between items A790.21 and A790.22 as necessary in the relevant sub-total boxes. The amount of principal outstanding before amortisation should also be entered in the sub-total boxes in the "amount" column in the currency of repayment, which should be entered in the "currency" column. The "sterling equivalent" is then this amount converted to sterling at the current exchange rate for the currency concerned on the day of the report unless, via a subordinated swap or some other hedging mechanism that is an integral part of the original preference share or subordinated loan stock agreement, the exchange rate has effectively been fixed - in which case that fixed rate may with be used. The reporting institution should obtain the FSA's agreement before doing this.

Individual stocks which are repayable in full on maturity should be listed in item A790.21 in lines a to e. Where there are more than five stocks issued (ie a to e) annotate the form "see attached list" in this section and attach a full list of such stocks. The amounts to be reported after amortisation are shown below and relate to the period between the date of the return and maturity date:

Years to maturity	Amortised amount
more than 4	100% of nominal
less than and including 4 but more than 3	80% of nominal
less than and including 3 but more than 2	60% of nominal
less than and including 2 but more than 1	40% of nominal
less than and including 1	20% of nominal

The amount of subordinated, unsecured loan stock should be multiplied by the amortisation values shown above. In the case of optional repayment dates the longest date should be used to determine the final maturity if the exercise of the option lies with the issuer, and the shortest date if with investors.

Report in item A790.22 in lines a to h the original outstanding value of individual stocks which are repayable in instalments. Where banks have more than 10 such holdings, they may aggregate the smallest holdings (by value) and record the total under A190.21j and A790.22j. The amortised amount shown should be agreed with the FSA.

APPENDICES A-I & A-II

For those reporting institutions that also complete Section B, Appendices A-I and A-II should include only those contracts that fall within the Banking Book. Contracts within the Trading Book should be reported in Section B. Reporting institutions which do not complete Section B should give details of all their interest rate, exchange rate, equity, commodity and precious metal related contracts in these appendices.

Swaps attached to loans and bonds.

Under certain conditions the risk attached to a floating (or fixed) rate loan/bond and a linked interest rate or currency swaps may be equivalent to a fixed (or floating) rate loan. In this case the swap need not be reported providing the following conditions are met;

(i) the swap and loan should have matching obligations (ie identical interest periods);

(ii) the swap and loan should be explicitly linked such that if the counterparty defaults under the loan or swap, or goes into liquidation, all payments under the swap agreement cease and the loan becomes immediately repayable;

(iii) netting or floating (or fixed) rate payments on the loan and the swap should meet all the existing (or future) on-balance sheet netting criteria (see SGN26).

Appx A-I Counterparty exposure on OTC derivative contracts-Replacement Cost Method

The credit equivalent amount is the sum of the replacement cost and the potential future credit exposure. The weighted amount is the product of the credit equivalent amount and the risk weight. Claims in respect of foreign exchange contracts with original maturity of 14 days or less should not be reported on this Appendix. Futures and options should not be reported on this Appendix if the contracts concerned are traded on exchanges subject to daily margining requirements.

All exposures in this section should be reported gross, unless they are netted by novation or the terms set out in Chapter NE (Collateral and netting), Sections 5-8, of the FSA Policy Guide/IPRU (BANK) have been met.

Note that Appendix A-I will not agree with Appendix A-II, since Appendix A-II is completed on a gross basis and also includes exchange traded items.

Replacement Cost

See SGN34 for guidance more generally. Only contracts with a positive mark-to-market value should be reported under this heading (however, institutions should record a potential future credit exposure in respect of all OTC derivative contracts that might in the future have a positive mark-to-market value). All contracts with a positive mark-to-market value should be reported in Appendix I (unless netting is consistent with Chapter NE (Collateral and netting), Sections 5-8, of the FSA Policy Guide/IPRU (BANK)). The overall net positive mark-to-market value should be allocated to the 0% band in the on-balance sheet section of the form (see item A260).

Potential Future Credit Exposure

Potential FCE should be calculated in accordance with the guidance set out in SGN34.

Net reporting of Replacement Cost

Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met then, on a bilateral basis (ie for each counterparty), the net replacement cost of nettable contracts may be reported (see SGN26 and SGN35).

Net Reporting of Potential Future Credit Exposure

The netting of add-ons is possible provided the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met. (See SGN26 and SGN35.)

Forward FX Contracts undertaken through Multilateral Netting Schemes

The credit equivalent amount for a reporting institution using a multilateral netting scheme should also be reported in Appendix I as outlined in SGN35.

Appendix A-II: Supplementary Information On Derivative Contracts

Replacement Cost Method

This section should be completed on a gross basis, even where legally enforceable netting agreements are in place, and is used for general supervisory information. As a result, this section will not necessarily reconcile with the previous section. All contracts (ie those with positive, negative and zero mark to market values) should be reported under the heading 'Notional Principal Amounts by Residual Maturity'.

Reporting institutions' exposure to OTC contracts should be reported by the relevant product and counterparty type. Their exposure to exchange traded contracts should be reported by product type only.

Reporting institutions should include their exposures arising from options with their other contracts, but should also identify them separately as a memo item. Within the memo item on options, those which are exchange traded should be separately identified from those originating from the OTC market.

Interest Rate Contracts

Report single currency interest rate swaps, basis swaps, forward rate agreements and products with similar characteristics, interest rate futures, interest rate options purchased and written (including caps, collars and floors purchased as stand-alone contracts), forward purchases and sales of bonds, and similar instruments. Bond futures and bond options purchased and written should also be reported here.

Foreign Exchange Contracts

Only exchange rate contracts of over 14 days original maturity (excluding a settlement period of up to 2 days) should be reported. Foreign exchange contracts with a shorter original maturity do not require regulatory capital for counterparty risk (but do require capital for market risk).

Report cross currency swaps, cross currency interest rate swaps (the exchange of principal on such swaps should be excluded from the on-balance sheet section of this return), outright forward foreign exchange contracts, currency futures, currency options purchased and written and similar instruments. Contracts based on gold should be included here.

For the reporting of SAFEs (synthetic agreements for forward exchange), ERAs should be treated as interest rate instruments; FXAs may also qualify for interest rate add-ons unless the notional principal amounts for the first (front-end) and second (back-end) contracts differ by more than 10%, in which event the lower amount should be treated as the notional principal for the interest rate contract and the difference in the contract amounts should attract the exchange rate add-ons.

Equity Contracts

Equity options purchased and written, forward purchases and sales of equities, and equity futures should also be reported here.

Commodity Contracts

All positions in respect physical commodities and derivative positions relating to commodities should be reported in the Trading Book for CAD banks. The reporting institution may agree with the FSA a different reporting treatment.

Precious Metals Contracts

All positions in respect of physical amounts of precious metals (not gold) and derivative positions relating to precious metals (other than gold) should be reported in the Trading Book for CAD banks. The reporting institution may agree with the FSA a different reporting treatment.

Notional principal amounts by maturity

The notional principal amount for each contract should be reported in these items, regardless of whether it is matched by another contract or whether it has a positive mark to market value. This section should include all derivative contracts to which the reporting institution is party, including options written and purchased (see SGN35 for more detail generally).

For exchange traded contracts, margins paid to exchanges should be separately identified and reported on the counterparty risk section of Sections A and B. The value of the underlying contracts should be reported here.

Remaining maturity

The remaining maturity of a swap should be taken as the time until final expiry of the swap. For FRAs and similar products, the remaining maturity should be taken as the time from the reporting date until the end of the period to which the interest rate underlying the contract relates (see SGN35 for more detail generally).

APPENDIX A-III: EXPOSURES COLLATERALISED/GUARANTEED/NETTED

When exposures being netted for the calculation of counterparty risk all fall in the Banking Book, the net exposure should be reported as a risk in Section A (in the Banking Book column). Similarly if all exposures fall in the Trading Book, the net exposure should be reported as a risk in the Trading book (in Section B, with a corresponding entry in the Trading Book column in Section A). If the exposures are divided between both Banking and Trading Book, the net amount should be reported as a risk in the Trading Book in Section B. As soon as a counterparty ceases to be a counterparty to an exposure in the Trading Book, the net amount should be considered to be in the Banking Book.

The residual netted amount should be reported in the relevant risk weighting band for counterparty risk. But see SGN5. If the statutory accounting treatment is gross but the terms of Chapter NE (Collateral and netting) of the FSA's Policy Guide/IPRU (BANK) have been met, and the FSA has agreed netting is appropriate for the Trading Book (Section B) reporting purposes, those exposures netted out should be reported in the zero percent band in the relevant asset category. The adjustments made by the reporting institution to the Trading Book (Section B) in respect of netted exposures should be shown additionally in Appendix B-X.

The above treatment should be applied to netting of on balance sheet exposures, the netting of the replacement cost of off balance sheet exposures and any netting of the potential future credit exposure (add-on).

APPENDIX A-IV - CURRENT YEAR'S PROFIT & LOSS ACCOUNT

This appendix covers the reporting institution's profit & loss account for the current financial year up to the reporting date. For those reporting institutions which have elected to report at dates which do not coincide with their financial year end, this appendix should be completed as at their last management accounts. In such instances, the specific period and relevant quarter covered should be inserted in the space and box provided.

INCOME

10 & 20 Interest received and receivable/interest paid and payable

Include under these headings both interest actually received and paid, and interest receivable and payable which has accrued but has not yet been received or paid. 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. Also include under this heading income accrued in respect of the amortisation of discounts (and premiums) on the purchase of fixed maturity investments which are not held for dealing (eg Treasury Bills).

30 Net interest income

Show under this heading the net interest received and receivable (ie item 10 less item 20). Where interest paid any payable exceeds interest received and receivable the net figures should be shown with a minus sign (not brackets) to indicate a negative figure.

40 Profit/(loss) on foreign exchange dealing

Revelations of foreign exchange positions and, if identifiable, fees and commissions of foreign exchange business should be included under this heading. If it is not possible to identify fees and commissions derived from this activity separately, they should be included with other fees and commissions in item 70.

A net loss should be shown with a minus sign (not brackets) to indicate a negative figure.

Where the reporting institution is engaged in deposit swap dealing (also sometimes known as interest arbitrage dealing) and does not distinguish between profits and losses on the foreign exchange element of the transaction and the interest differential, the whole transaction should be shown under items 10 to 30; a deposit swap profit should be treated as income (item 10) and a loss as an expense (item 20).

50 Profit/(loss) on investments held for dealing

Include all profits or losses (including revaluation profits or losses) other than those 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 which are not held for dealing.

70 Income from fees and commissions

Include charges made for services provided by the reporting institution, eg for the provision current account facilities, corporate advice, investment management and trustee services, guarantees and indemnities, commission on the sale of insurance of travellers cheques etc. Only include fees and commissions from customers for the provision of foreign exchange services if they cannot be separately identified and included under item 40.

80 Dividends/share of profits from subsidiary and associated companies

Reporting institutions reporting on an unconsolidated basis should include the dividends from other group companies only, together with the revaluation of any investment in subsidiaries or associates if equity accounting; those reporting on a consolidated basis should include only the share of profits from associated companies according to the normal convention of accounting as currently set out in Financial Reporting Standard 9, “Accounting for the Results of Associated Entities”.

90 Profit/(loss) on fixed assets (including revaluation)

Include the profit or loss on the sale of non-trading assets of the reporting institution, eg premises, equipment, subsidiary and associated companies and trade investments. In respect of revaluation surpluses/deficits, reporting institutions should follow normal accounting practice: amounts in respect of surpluses/deficits normally taken to the profit and loss account, eg movements in provisions against trade investments, should be included in this item; amounts normally taken direct to reserves should not be included here.

100 Other income

Include under this heading income from any other source (other than extraordinary items which should be included under item 200).

EXPENSES

Operation expenses

110 Staff

Include salary costs, employer’s national insurance contributions, the employer’s contribution to any pension scheme, and the costs of staff benefits paid on a per capita basis such as private medical insurance and luncheon vouchers; general staff benefits, such as subsidised restaurants, should be included under “occupancy” (item 120) or “other” (item 130) as appropriate.

120 Occupancy

Include rates, rent, insurance of building, lighting, heating, depreciation and maintenance costs.

130 Other

This comprises all other expenditure.

140 **Net charge/(credit) for provisions**

150

This should equal item 40 on Appendix A-V (see relevant definition).

160 **Provisions for taxation**

For returns covering less than a year, the taxation charge should be estimated by applying a reasonable estimate of the reporting institution's effective tax rate applicable for the year in question.

170 **Provisions for dividends**

For returns covering less than a year, provision should be made for an appropriate portion of the estimated total dividend to be paid for the year.

200 **Extraordinary items**

Extraordinary items, as defined by Financial Reporting Standard 3, should be reported net of attributable taxation. Where extraordinary charges exceed extraordinary income, the net negative figure should be shown with a minus sign (not brackets).

APPENDIX A-V - PROVISIONS AGAINST BAD AND DOUBTFUL DEBTS AND INVESTMENTS

10 **Previous balance**

Show the balance outstanding on the specific and general provisions account at the end of the previous accounting year relating to debts considered bad or doubtful. From end December 2001, this should include provisions made against the value of investments. The date to which the balance refers should be shown in the space provided.

20 **Adjustments for acquisitions/disposals**

Enter any adjustments made as a result of an acquisition or disposal of a subsidiary company the balance sheet of which includes specific or general provisions and is included in the consolidation for the particular return. Where the net adjustment is negative, report the amount with a minus sign (not brackets).

30 **Adjustments for exchange rate movements**

Enter any adjustments made for exchange rate movements in respect of provisions denominated in currencies other than sterling. Where the adjustment is negative, report the amount a minus sign (not brackets).

40 Charge/credit to profit and loss account

Enter the net charge or credit to the profit and loss account in respect of provisions; this should equal items 140 & 150 on Appendix A-IV. A net credit should be shown with a minus sign (not brackets). The gross charge for new provisions should be offset by other items including any provisions made in earlier years but now released in the current year's profit and loss account. The charge or credit for specific provisions 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 profit and loss account.

50 Amounts written off

Enter the gross amount written off (before recoveries which should be reported in item 60).

60 Recoveries of amounts previously written off

Enter the total amount of loans recovered which have previously been written-off.

70 Other

Enter any other items, including exceptional provisions and transfers between general and specific provisions.

80 Current balance

The current balance should be the sum of items 10-70. The figure in column 1 should, from December 2001, equal the total of items 150 and 230.

90 - 150 Specific provisions against bad and doubtful debts

In the relevant boxes, show the assets (by risk weights) against which specific provisions have been made. Total specific provisions (item 150) should equal the total of items 90 to 140. Include in column 1 earmarked general provisions which are in the nature of specific provisions. Such cases should be agreed with the FSA. All figures should be positive. Specific provisions against the value of investments should be reported in items 170-230.

160 Gross value of loans against which specific provision have been made

Enter the total gross value, before deduction of provisions, of loans against which specific provisions have been made.

Where specific provisions have been made against credit card lending, the aggregate value of these provisions should be reported here, and the FSA informed as to the amount of this item relating to such provisions.

170 - 230 Specific provisions against the value of investments other than trading investments

Where the reporting institution carries provisions in its books for the diminution in value of investments other than trading investments they should be shown here, analysed according to the risk weighting of the investment to which they relate. Total provisions (item 230) should equal the total of items 170 to 220. All figures should be positive.

ANNEX 1: CALCULATION FOR ELIGIBLE TIER 2 AND TIER 3 CAPITAL

CAPITAL BASE BEFORE ADJUSTMENT

£'000s

1 Total Tier 1 :(Section A item A550)

2 Total Tier 2 : Supplementary capital before adjustments (sum of items A580 to A620 of Section A)

3 Total Tier 3 : Trading book capital before adjustments (Section A items A631 + A633)

ADJUSTMENTS TO CAPITAL

General Provisions Adjustment

4 Total Risk Weighted Assets from Section D item D510

5 Limit on general provisions (1.25% of item 4)

6 Eligible general provisions (lower of item A590 and item 5)

7 Excess general provisions (higher of [item A590 - item 5] and zero)

Subordinated Term Debt Adjustment

8 Amortisation on Tier 2 subordinated term debt (item A610 - item A790)

9 Tier 2 subordinated term debt after amortisation (item A610 - item 8)

10 Limit on Tier 2 subordinated term debt (50% of item 1)

11 Eligible Tier 2 subordinated term debt (lower of item 9 and item 10)

12 Excess Tier 2 subordinated term debt (higher of [item 9 - item 11] and zero)

Eligible Capital Adjustment

13 Tier 2 less excess general provisions and excess Tier 2 subordinated term debt (item 2 - [items 7+8+12])

Non-CAD Banks only (exempt from CAD capital requirements at reporting date)

14 Overall limit on Tier 2 (100% of item 1)

15 Tier 2 capital in excess of the overall limit (higher of [item 13 - item 14] and zero)

CAD Banks only:

16 Overall limit on Tier 2 plus Tier 3 (100% of item 1)

17 Excess Tier 2 and Tier 3 capital (higher of [items 3+13-16] and zero)

of which:

Excess Tier 3 capital (subordinated term debt not eligible for inclusion)

Excess Tier 2 capital (item 17 - item 17.1)

18 **Eligible Tier 2 capital** (items 13 - [item 15 or item 17.2] **)**

Capital Allocated To The Banking Book

19 Banking Book Capital Requirements (RWA for the current reporting period x B Book trigger ratio)

20 Tier 1 capital (item 19 - item 21)

21 Eligible Tier 2 capital (lower of item 18 and 50% of item 22)

22 Total capital allocated to the Banking Book (items 20+ 21)

ELIGIBLE CAPITAL AVAILABLE TO SUPPORT THE TRADING BOOK

23 Tier 1 capital remaining after supporting the Banking Book (item 1 - item 20)

24 Eligible Tier 2 capital remaining after supporting the Banking Book (item 18 - item 21)

25 Limit on Eligible Tier 3 capital (item 23 x 2)

26 **Eligible Tier 3 capital** (lower of [item 3 - item 17.1] and item 25)

27 **TOTAL ELIGIBLE CAPITAL (TIERS 1, 2 AND 3)** (items 1+ 18+26)

Note.

Items 14 and 16 are the overall limit at the consolidated level, or the solo level when a bank is not part of a consolidated group.

Where the reporting institution is subject to CAD capital requirement, at a solo-consolidated and consolidated level, tier 2 capital plus Tier 3 subordinated debt used to meet the Trading Book capital requirement is limited to 200% of Tier 1 capital used to meet those requirements. For item 17, Tier 3 subordinated debt should first be designated as excess capital, if any excess capital remains when Tier 3 subordinated debt has been used up, then Tier 2 capital should be designated as being excess capital.

Total capital allocated to the Banking Book (Item 22) should equal the capital required to support the Banking Book as reported in item 19 unless there is insufficient capital available to meet the regulatory capital requirements while satisfying the constraints on capital. Item 22 should equal the sum of Tier 1 and Eligible Tier 2 capital (ie items 20 and 21). Use as much Tier 2 capital as possible subject to the constraint that *at least half the capital used to support the banking book should be Tier 1 capital:* eligible Tier 2 capital allocated to the Banking Book (ie item 21) should be less than or equal to Tier 1 capital allocated to the Banking Book (item 20). Item 21 should equal item 22 divided by 2 unless (item 22/2) is greater than eligible Tier 2 capital (ie item 18); in this case item 21 should equal 18, and item 20 should equal item 19 **less** item 21. Tier 3 capital should not be held against Banking Book risks. If item 22 is less than item 19 then the institution may have insufficient capital to meet its regulatory capital requirements and should contact its line supervisor immediately.

Item 7 equals Section A item A621.

Item 8 equals Section A item A623.

Item 12 equals Section A item A622.

Item 15 or item 17.2 equals Section A item A625.

Item 17.1 equals Section A item A635.

BSD3-SECTION B: TRADING BOOK FOR SOLO BANK AND LINE BY LINE CONSOLIDATED ENTITIES

General Notes

1 For consolidated returns, the companies to be included in the consolidation should be those agreed between the reporting institution and the FSA in accordance with the FSA's Policy on Consolidated Supervision (Chapter CS (Consolidated supervision) of the FSA Policy Guide/IPRU (BANK)).

The Trading Book

2 The coverage of this section is limited to the Trading Book of a bank. Banks which have agreed with the FSA that they do not have a Trading Book should not fill in this section, and should proceed to Section D.

3 Article 2.6 of the Capital Adequacy Directive (CAD - 93/6/EEC) and its subsequent amendment (98/31/EC) provide the Trading Book definition.

In accordance with this, a bank's trading book consists of:

a) an institution's proprietary positions in financial instruments, commodities and commodity derivatives which are held for resale and/or which are taken on by the institution with the intention of benefiting from actual and/or expected short-term price or interest rate movements, matched principal broking positions in financial instruments commodities and commodity derivatives, and positions in financial instruments, commodities, commodity derivatives and other non-financial instruments taken in order to hedge other elements of the Trading Book.

b) the exposures arising from unsettled transactions, free deliveries and over-the-counter (OTC) derivative instruments referred to in paragraphs 1, 2, 3 and 5 of Annex II of the CAD (as amended),

c) the exposures due to repurchase agreements (repos) and securities and commodity lending which are based on securities or commodities included in the Trading Book as defined in (a) referred to in paragraph 4 of Annex II of the CAD (as amended),

d) those exposures due to reverse repurchase agreements and securities and commodities borrowing transactions described in the paragraph 4 of Annex II of the CAD (as amended), which meet all the following conditions:

i) the exposures are marked to market daily following the procedures laid down in Annex II of the CAD unless they are cash items;

ii) the collateral is adjusted daily to take account of changes in the value of the securities or commodities involved and the bank's rule for collateralisation should be acceptable to the FSA;

iii) the agreement or transaction provides for the bank's claims to be automatically and immediately offset against its counterparty's claims if the latter defaults;

iv) such agreements or transactions are confined to their accepted and appropriate use and artificial transactions, especially those not of a short-term nature, should be excluded;

Where the contractual relationship fails to meet conditions (ii) and (iii) above, the contract may still be included in the Trading Book but should be treated as an undocumented reverse repo.

e) exposures in the form of fees, commission, interest, dividends, and margin on exchange-related derivatives directly related to the items included in the Trading Book referred to in paragraph 6 of Annex II of the CAD (as amended).

Whether particular items fall to be included or excluded from an institution's Trading Book should be decided in accordance with objective procedures including, where appropriate, accounting standards in the institution concerned. A reporting institution should set out its procedures in its Trading Book policy statement.

4 The financial instruments referred to in the preceding paragraph are defined in Section B of the Annex to the Investment Services Directive (ISD - 93/22/EEC). These are:

1) a) Transferable securities;

b) Units in collective investment undertakings.

2) Money-market instruments[1].

3) Financial-futures contracts, including equivalent cash settled instruments.

4) Forward interest rate agreements (FRAs).

5) Interest-rate, currency and equity swaps.

6) Options to acquire or dispose of any instruments falling within this section of the annex including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates."

Valuation

5 See SGN5. Each bank should have agreed a Trading Book policy with the FSA which, amongst other items, covers the valuation of positions. Positions should be valued for reporting on this form in line with the valuation procedure set out in the Trading Book policy. However, positions in the Trading Book should be marked to market on a daily basis and valued on this basis for inclusion on this form.

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[1] This does not include deposits and loans.

6 The valuation of individual complex instruments might not be covered explicitly in the Trading Book policy, but the policy should outline a procedure for dealing with such instruments. Advice should be sought from the FSA on the treatment of such instruments.

Specific Provisions

7 All items reported for the purpose of calculating the capital requirement for counterparty risk (items B10 to B100) should be reported net of any specific or earmarked general provisions made.

Transfers of general market risk

8 See SGN33.

B10-B100 COUNTERPARTY RISK ARISING FROM:

Analysis of Categories

For each category of counterparty risk there is a breakdown of the total into different weighting bands (0%, 10%, 20% 100%) depending on the risk weight attributed to the counterparties. For a list of items and more detail on risk weights, see SGN15.

B10 Free deliveries

Reporting institutions should include here any transactions in tradable securities which involve the delivery of the securities (cash) when the cash (securities) is not received at the same time [this is termed a "free delivery"]. When the securities (cash) have been delivered this will be considered to be a claim on the counterparty equivalent to the current market value of the tradable security for the provider of the cash or the cash for the provider of the securities, whichever is outstanding. This includes exchange-traded contracts involving physical delivery.

If settlement of the transaction is effected across a national border, the capital requirement may only be triggered one business day after the securities (cash) have been delivered without the cash (securities) being received in return.

B20 Margins

Reporting institutions should include both initial margin payments and any surplus margin payments placed with exchanges and clearing houses. These are taken to be exposures to the exchanges and clearing houses and will attract the relevant weight for the exchange.

B30 Fees and commissions

Reporting institutions should include any fees due to them which arise from transactions falling in the Trading Book, which have not yet been received.

B40 Other counterparty risk in the Trading Book

Reporting institutions should report here all other counterparty risk that arises in the Trading Book. For example, if a loan is transferred to the Trading Book because it is hedging a position in a financial instrument (see Chapter CB (Trading book/banking book division), Section 3, Paragraph 9, of the FSA Policy Guide (in IPRU (BANK), Section 3, Paragraph 11)), the counterparty risk on the loan should be reported here. When the reporting institution has transferred general market risk from the Banking Book to the Trading Book (see Chapter CB of the FSA Policy Guide, Section 3, Paragraph 11 (Paragraph 13 in IPRU (BANK)), there is no associated transfer of specific or counterparty risk and the transfer will not result in an entry in item B40. Off balance sheet items reported here should attract the standard Credit Conversion Factors prior to be risk weighted (see Reporting Instructions to Section A for details of these factors).

B50 Unsettled transactions

Reporting institutions should report here the total capital requirement for counterparty risk on unsettled transactions. Item B50 should equal item 120 of Appendix B-I.

B60 OTC Derivatives

Reporting institutions should report here the total capital requirement for counterparty risk on OTC derivatives. The weighted amount in item B60 should equal line 60 of Appendix B-II.

B70 Undocumented repos/reverse repos

Reporting institutions should report here the total capital requirement for undocumented repos/reverse repos, and, if line supervisors have so requested, documented repos/reverse repos. The weighted amount in item B70 should equal line 50 of Appendix B-IV. Additionally, repos will give rise to a general market risk position that should be reported in either item B200 or B240 and their underlying Appendices.

B80 Documented repos

Reporting institutions should report here the total capital requirement for documented sale and repurchase agreements (repos). The weighted amount item in item B80 should equal item 100 of Appendix B-IV. Additionally, repos will give rise to a general market risk position that should be reported in either item B200 or B240 and their underlying Appendices.

B90 Documented reverse repos

Reporting institutions should report here the total capital requirement for documented reverse sale and repurchase agreements (reverse repos). The weighted amount item in B90 should equal item 150 of Appendix B-IV. Additionally, reverse repos will give rise to a general market risk position that should be reported in either item B200 or B240 and their underlying Appendices.

B100 Total counterparty risk in the Trading Book

This equals the sum of items B10 to B90.

B110-B140 LARGE EXPOSURES IN THE TRADING BOOK

When an exposure arising from tradable securities in the Trading Book exceeds 25% of adjusted capital base, it should be broken down on the Form LE2 into the individual exposures undertaken with the group of connected counterparties. The nature of each exposure should be identified along with the appropriate capital charge for counterparty or specific risk. The reporting institution should show how these capital charges have been used to generate the additional capital charge for large exposures reported in items B120 and B130.

The calculation for determining the incremental capital requirement involves the following sequential steps:

a) Net any short securities positions against long securities positions, netting the short items against the highest long specific risk weighted items (Note: the specific risk weights of netted items need not be identical).

b) Rank the remaining net long securities positions in order according to specific risk weighting factors (ie lowest weighted items first, highest weighted items last).

c) Taking the lowest weighted items first, apply these exposures to the difference between the non securities exposure to the counterparty and 25% of the amended capital base (ie the "headroom" up to 25% of the amended capital base is employed to cover the lowest weighted exposures)

. d) Incremental capital is considered necessary for remaining net long securities exposures as follows:

  i) if the excess exposure has been extant for 10 days or less, the specific risk weighting for exposures ranked in excess of 25% of the amended capital are multiplied by 200%.

  ii) if the excess exposure has been extant for more than 10 days, the specific risk weightings for exposures ranked in excess of 25% of the amended capital base are multiplied by the following factors.

Excess exposure over 25% of amended capital base (acb)	Factor applied to specific risk weighting
Up to 40% of acb	200%
From 40% to 60% of acb	300%
From 60% to 80% of acb	400%
From 80% to 100% of acb	500%
From 100% to 250% of acb	600%
Over 250% of acb	900%

B110 Adjusted large exposures capital base

Report here the adjusted large exposures capital base (ie the adjusted capital base shown on Form LE2 (part 5) as at BSD3 reporting date) which the bank has agreed with the FSA.

B120 Excesses that have existed for 10 days or less

Report here the aggregate specific risk capital requirement of any large exposures excesses that have arisen on tradable securities in the Trading Book which have been in existence for 10 days or less. Only the amount of the exposure over 25% of the adjusted capital base should be reported here.

B130 Excesses that have existed for more than 10 days

Report here the aggregate specific risk capital requirement of any large exposures excesses that have arisen on tradable securities in the Trading Book which have been in existence for more than 10 days. The excess should be broken down into those parts within each band above 25%. Only the amount of the exposure over 25% and up to 40% of capital should be reported in item B130.1, that part of the exposure over 40% and up to 60% should be reported in item B130.2, etc. Item B130 should be the sum of items B130.1 to B130.6.

B140 Capital Requirement for Large Exposures

Report here the sum of the capital requirements generated from items B120 and B130.

B150-B180 FOREIGN EXCHANGE POSITION RISK

For more detailed information on the specification of capital for foreign exchange risk, see Chapter FX (Foreign exchange risk) of the FSA Policy Guide/IPRU (BANK).

B150 For basic approach

The total capital required for foreign exchange risk treated under the basic approach should be reported here. Item B150 should equal the item for the capital requirement for the basic method from Appendix B-V (column 2).

B160 For Backtesting Approach

The total capital required for foreign exchange risk treated under the backtesting approach should be reported here. Item B160 should equal the item for the capital requirement for the backtesting method from Appendix B-V (column 3).

B170 Additional Capital Charge for Options

The way in which these items should be completed should depend upon the method under which the reporting bank has agreed with its supervisor that it will calculate the capital requirement on its options portfolio.

B170.1 Using the Carve Out Approach

Banks should report here the capital requirement arising from options on foreign exchange instruments treated under the carve out approach to options.

B170.2 Using CAD1 Models (Scenario Matrix/Buffer) Approach

Banks should report here the capital requirement arising from options on foreign exchange instruments treated under the scenario matrix or buffer approach to options.

B180 Total foreign exchange risk

This item should be the sum of the capital requirement for foreign exchange risk treated under each of the different methods plus any additional capital requirements reported for options. Item B180 should equal the sum of items B150, B160 and B170.

B190-B220 INTEREST RATE POSITION RISK

For more detailed information on the specification of capital for interest rate risk, see Chapter TI (Interest rate position risk) of the FSA Policy Guide/IPRU (BANK).

B190 Specific Risk

Report here the sum of individual net position (as defined in Chapter TI (Interest rate position risk) of the FSA Policy Guide/IPRU (BANK) within each risk weighted amount. Specific risk on positions arising from underwriting should be included here. The risk weights refer to those applicable for interest rate specific risk. Item B190 should equal the sum of items B190.1 to B190.5.

The specific risk weights are:

0.00% Certain Central Government debt instruments;

Debt instruments should be given a 0% specific risk weighting if:

a) they are issued by, fully guaranteed by, or fully collateralised by securities issued by Zone A[2] central governments and central banks, including the European Communities; or

b) they are issued by, or fully guaranteed by, Zone B central governments and central banks with a residual maturity of 1 year or less and are denominated in local currency and funded by liabilities in the same currency.

0.25% Qualifying Items up to 6 months residual maturity

1.00% Qualifying Items over 6 and up to 24 months residual maturity

1.60% Qualifying Items over 24 months residual maturity

[2] See SGN Appendix C.

Debt instruments should be treated as qualifying if any of the following conditions apply:

a) they are issued by, or fully guaranteed by, Zone B central governments and central banks with a residual maturity of over 1 year and are denominated in local currency and funded by liabilities in the same currency.

b) They are securities issued by, or fully collateralised by claims on, a multilateral development bank as listed in the Solvency Ratio Directive. The European Commission may amend this list periodically (see SGN Appendix E for more detail).

c) They are issued, guaranteed, endorsed, or accepted, by a credit institution incorporated in a Zone A country (see SGN Appendix C for details of Zone A and B countries);

d) They are issued, or guaranteed, endorsed, or accepted, by a credit institution incorporated in a Zone B country and have a residual maturity of 1 year or less;

e) They are issued, or guaranteed, by an investment firm that is incorporated in a Zone A country and subject to the Capital Adequacy Directive, or to a regime that FSA deems to be CAD equivalent;

f) They are issued, or guaranteed, by an investment firm that is incorporated in a Zone B country and subject to the Capital Adequacy Directive, or to a regime that the FSA deems to be CAD equivalent; and they have a residual maturity of 1 year or less;

g) They are issued by, or guaranteed by, Zone A public sector entities (see SGN23);

h) They are issued by, or guaranteed by, a company whose equity is eligible for 2% equity specific risk weighting.

i) The issue, or an issue of equivalent ranking in a liquidation, or an issue of equivalent ranking in a liquidation of the guarantor, is rated investment grade (or its equivalent for money market obligations), or above and the reporting bank is unaware of any sub-investment grade[3] rating issued by any of the relevant credit rating agencies (see SGN Appendix H for the list of agencies which are considered relevant).

Convertible securities, such as bonds and preference shares, that are treated as debt instruments should be given a specific risk weighting identical to other debt items for the same issuer as described in the preceding paragraphs. Convertible securities (as defined in Chapter TE (Equity position risk), Section 2, Paragraph 4, of the FSA Policy Guide/IPRU (BANK)) should be treated as equities when:

a) the first date at which conversion may take place is less than three months ahead, or the next such date (where the first has passed) is less than a year ahead, and:

b) the convertible is trading at a premium of less than 10%, where the premium is defined as the current mark to market value of the convertible less the mark to market value of the underlying equity, expressed as a percentage of the mark to market value of the underlying equity.

[3] Chapter BC (Credit risk in the banking book), Section 5, of the FSA Policy Guide/IPRU (BANK) includes a list of the relevant cut off points for investment grade for each relevant ratings agency.

Otherwise, a bank may treat equity convertibles as either:-

a) an equity position based upon conversion of the bond and deducting from capital (by including in item B215) any losses, including accrued interest, that may arise from this "conversion" for the purposes of calculating the capital requirements, but limiting the size of any profits from the "conversion" to the sum of the specific and general risk requirements; or

b) a debt item.

8.00% Non-Qualifying Items

Debt instruments where the issuer does not meet the requirements established above are deemed to be non-qualifying items.

B200 General Market Risk

This item should contain the total capital requirement for general market risk arising from positions in interest rate instruments and their derivatives. The detail behind this calculation should be reported in Appendix B-VI. Item B200 should equal the total Item in the Total General Market Interest Rate Risk column of Appendix B-VI.

B210 Additional Capital Charge for Options

The way in which these items are completed should depend upon the method under which the reporting bank has agreed with its supervisor it will calculate the capital requirement on its options portfolio.

B210.1 Using the Carve Out Approach

Banks should report here the capital requirement arising from options on interest rate instruments treated under the carve out approach to options (see in Chapter TI (Interest rate position risk), Section 7, of the FSA Policy Guide/IPRU (BANK)).

B210.2 Using CAD1 Models Approach

Banks should report here the capital requirement arising from options on interest rate instruments treated under the scenario matrix or buffer approach to options.

B215 Interest Rate Risk on Equity Derivatives

Reporting institutions should include in this box any interest rate risk arising from equity derivatives (including options) which is not processed via either an approved model or the usual methods for interest rate general market risk (see in Chapter TE (Equity position risk), Section 5, Paragraph 5, of the FSA Policy Guide/IPRU (BANK)).

Reporting institutions should also report here the absolute value of any loss on "conversion" for those convertibles and depository receipts that are being treated as equities for regulatory reporting purposes. Where there is a profit on "conversion", this profit may be reported here as a negative number up to a maximum of the sum of the specific and general risk requirements reported on the underlying equities.

B220 Total Interest Rate Position Risk

This item should be the sum of items B190, B200, B210 and B215.

B230-B270 EQUITY POSITION RISK

B230 Specific Risk

This item should contain the total capital requirement for specific risk arising from positions in equities and their derivatives. The details behind this calculation should be reported in Appendix B-VII. Item B230 should equal 8% of the total of Columns 1 plus 4% of the total of Column 2 on Appendix B-VII.

B240 General Market Risk

This item should contain the total capital requirement for general market risk arising from positions in equities and their derivatives. The details behind this calculation should be reported in Appendix B-VII. Item B240 is 8% of the sum of the total of Columns 5 and 6 on Appendix B-VII.

B250 Additional Capital Charge for Options

The way in which these items are completed should depend upon the method under which the reporting bank has agreed with its supervisor it will calculate the capital requirement on its options portfolio.

B250.1 Using the Carve Out Approach

Banks should report here the capital requirement arising from options on equities treated under the carve out approach to options.

B250.2 Using CAD1 Models Approach

Banks should report here the capital requirement arising from options on equities treated under the scenario matrix or buffer approach to options.

B270 Total Equity Position Risk

This item should be the sum of the capital requirements for specific and general market risk on equities plus any additional capital requirements reported for options.

B280 Commodity position risk

Report here the total capital requirement for commodity position risk under the standard approach. This item should equal item 50 (column F) from Appendix B-VIII.

B282 Additional Capital Charge for Options

The way in which these items are completed should depend upon the method under which the reporting bank has agreed with its supervisor it will calculate the capital requirement on its options portfolio. This item should equal the sum of items B282.1 and B282.2

B282.1 Using the Carve Out Approach

Banks should report here the capital requirement arising from options on commodity instruments treated under the carve out approach to options.

B282.2 Using CAD1 Models (Scenario Matrix/Buffer) Approach

Banks should report here the capital requirement arising from options on commodity instruments treated under the scenario matrix or buffer approach to options.

B284 Total commodity position risk

Report here the total capital requirement for commodity position risk. This item should equal the sum of items B280 and B282.

B290-B340 INTERNAL MODELS APPROACH

B290 Previous day's value at risk

This equals the bank's regulatory (10 day, 99%) VaR calculated for the previous day.

B300 Average of previous 60 days' value at risk

This equals the average of the bank's regulatory VaR figures over the last 60 business days.

B310 Multiplication factor

This equals item 40 of Appendix B-IX. This item should be rounded to 2 decimal places and multiplied by 100 and entered in the relevant box as integers, eg a multiplication factor of 3.0 should be entered as 300.

B320 Capital charge for general market risk

This equals the greater of (item B300 multiplied by B310/100) and item B290.

B330 Capital surcharge for specific risk

A bank that models specific risk should increase its market risk capital requirement by a surcharge for specific risk. A bank may choose to calculate its surcharge as either:

(a) an amount equal to the specific risk portion of the VaR measure calculated according to the Guidelines on internal models.

(b) an amount equal to the VaR measures of sub-portfolios that are subject to specific risk.

In both cases, the surcharge for specific risk should be calculated as an average over the previous 60 business days.

B340 Total capital requirement for risk subject to internal models

This equals the sum of items B320 and B330.

APPENDIX B-I: UNSETTLED TRANSACTIONS

Reporting institutions should report any transactions (excluding repurchase and reverse repurchase agreements and stock borrowing and lending) where delivery of the instrument takes place against receipt of cash, but which remain unsettled 5 business days after their due date. Banks should report the difference between the contracted amount due and the current market value of the instrument as the “potential loss” (Lines 10 to 60) but may agree a different treatment with the FSA. This should be multiplied by the relevant factor in column 1 of the table below to obtain the capital requirement. A bank may instead report the agreed settlement price (Lines 70 to 110), which should be multiplied by the relevant factor in column 2 of the table below. This treatment should be agreed with the FSA before being adopted. Transactions 46 or more days past due should be reported on the basis of “potential” loss.

Note that the capital requirement for such transactions should not be multiplied by the counterparty risk weight.

Number of Working Days after due Settlement Date	Column 1	Column 2
0 - 4	Nil	Nil
5 - 15	8%	0.5%
16 - 30	50%	4.0%
31 - 45	75%	9.0%
46 or more	100%	100% of Potential Loss (as per Column 1)

Within Appendix B-I, item 60 should equal the capital charge figure for Rows 10 to 50 and item 110 should equal the capital charge figure for Rows 70 to 100. Item 120 is the sum of items 60 and 110.

APPENDIX B-II - COUNTERPARTY EXPOSURE ON OTC DERIVATIVE CONTRACTS (REPLACEMENT COST METHOD)

OTC Contracts

The credit equivalent amount is the sum of the replacement cost and the potential future credit exposure. The weighted amount is the product of the credit equivalent amount and the risk weight. This section should be filled in only for OTC derivative contracts within the Trading Book. Capital charges for counterparty risk on forward sales and purchases of equities and bonds should not be reported in this Appendix, but in Appendix B-IV. All forward transactions in the Trading Book should, however, also be reported in Appendix B-III. Similar contracts in the Banking Book should be reported in Section A. The reporting instructions for Appendix A-I should also be applied to this Appendix. Foreign exchange contracts with original maturity of 14 days or less should not be reported on this Appendix. Futures and options should not be reported where the contracts concerned are traded on exchanges subject to daily margining requirements.

Appendix B-II will not agree with Appendix B-III, since Appendix B-III is completed on a gross basis and includes exchange traded items.

Replacement Cost

For the purposes of measuring counterparty risk inherent in derivative contracts, a risk weight of 50% should be applied in respect of counterparties which would usually attract a counterparty risk weight of 100% (see SGN34 for more detail generally).

These instruments should be valued in line with the valuation policy included in the Reporting Institution's Trading Book policy statement.

Potential Future Credit Exposure

All OTC derivative contracts that may in the future have a positive mark-to-market value should be subject to a capital charge for potential future credit exposure (see SGN34 for guidance on calculation).

Net reporting of Replacement Cost

Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met then, on a bilateral basis (ie for each counterparty) the net replacement cost of nettable contracts may be reported (See SGN26, SGN35).

Net Reporting of Potential Future Credit Exposure

See SGN35.

Forward FX Contracts undertaken through Multilateral Netting Schemes

The credit equivalent amount for a reporting institution using a multilateral netting scheme should also be reported in Appendix B-II as set out in SGN35.

APPENDIX B-III: SUPPLEMENTARY INFORMATION ON OTC DERIVATIVE CONTRACTS

(REPLACEMENT COST METHOD)

This appendix should be completed on a gross basis, even where legally enforceable netting agreements are in place. It is used for general supervisory information. All derivative contracts should be reported on this section, including options written and other contracts with negative mark to market value. As a result, this section will not usually reconcile with the previous section. Contracts which do not have positive mark to market values should be reported in the Notional Principal Amounts section (the first four columns) only.

Reporting institutions' exposure to OTC contracts should be reported by the relevant product and counterparty type. Their exposure to exchange traded contracts should be reported by product type only.

Reporting institutions should include their exposures arising from options with their other contracts, but should also identify them separately as a memo item. Within the memo item on options, those which are exchange traded should be separately identified from those originating from the OTC market.

Interest Rate Contracts

The reporting instructions for Appendix A-II should also be applied to this item.

Foreign Exchange Contracts

Only exchange rate contracts of over 14 days original maturity (excluding a settlement period of up to 2 days) should be reported. The reporting instructions for Appendix A-II should also be applied to this item.

Equity Contracts

The reporting instructions for Appendix A-II should also be applied to this item.

Commodity Contracts

All positions in respect of physical commodities and derivative positions relating to physical commodities should be reported here. Reporting institutions may however seek the agreement of the FSA that a different reporting treatment is appropriate. Commodity futures and options should not be reported where the contracts concerned are traded on exchanges subject to daily margining requirements.

Precious Metals Contracts

Include here futures, forwards, swaps, options and similar instruments involving precious metals other than gold. Futures and options should not be reported where the contracts concerned are traded on exchanges subject to daily margining requirements.

Notional principal amounts by maturity

The notional principal amount for each contract should be reported in these items, regardless of whether it is matched by another contract or whether it has a positive mark to market value. This section should include all derivative contracts to which the reporting institution is party, including options written and purchased (see SGN 34 for more detail generally).

For exchange traded contracts, margins paid to exchanges should be separately identified and reported on the counterparty risk section of Sections A and B. The value of the underlying contracts should be reported here.

Replacement Cost

Reporting institutions should include here the replacement cost (mark-to-market) on off balance sheet contracts. Items with a negative mark to market value should be excluded.

APPENDIX B-IV: COUNTERPARTY RISK ON REPOS AND REVERSE REPOS

This appendix covers all repos, reverse repos and other transactions with a similar economic effect (eg stock borrowing/stock lending or sell-buy/buy-sell).

In the Trading Book, repo transactions are deemed to give rise to counterparty exposure.

Counterparty Risk On Documented Repos/Reverse Repos

In these sections, banks should report ***all*** Trading Book transactions, regardless of the terminology used, that meet the following criteria (arrangements where the bank has lent a third party's securities at its own risk are included):

i) a bank has sold (or lent) Trading Book securities to a counterparty subject to buy back (or a return clause), and

ii) the documentation forming the written agreement (whether a master agreement, or documentation used on specific occasions) provides for the claims of the bank to be automatically and immediately set off against the claims of the counterparty in the event of the latter's default, and the bank has the right to call for variation margin daily when there is a material adverse market move against it.

Transactions which fail to meet these criteria should be reported as undocumented repos/reverse repos.

Transactions that are fully collateralised should still be reported in columns 1 and 2. As the amount reported in each of these two columns will be the same for fully collateralised deals, the counterparty risk requirement will be zero. However, it is important that these deals are included otherwise these items would understate the volume of repo/reverse repo business being transacted.

When completing Lines 60 to 90 and Lines 110 to 140, it should be assumed that each individual repo or reverse repo cannot be overcollateralised in the absence of netting. Regarding repos (lines 60 to 90): if collateral held is worth more than 100% of the market value of the securities sold or lent, then the reported value of collateral on that deal should be the same as the market value of the securities. Excess collateral held for a repo with one counterparty should not offset a shortfall in collateral held for another repo with the same counterparty or another counterparty. Regarding reverse repos (lines 110 to 140): if the market value of securities bought or borrowed on a reverse repo is more than 100% of the market value of the collateral given, the reported value of the securities on that deal should be the same as the market value of the collateral. Excess securities received under a reverse repo with one counterparty should not offset a shortfall in securities received under another reverse repo with the same counterparty or another counterparty.

This Appendix only captures counterparty risk on repos and reverse repos. Consequently, the market risk arising from transactions that are reported in this section should still be reported in those sections of the form which capture market risk exposures arising from interest rate and equity position risk, depending on the nature of the security underlying the repo or reverse repo.

In both cases, Column 3 should be Column 1 minus Column 2. The weighted amount in Column 5 should be the multiple of the amount at risk (Column 3) and the Weight (Column 4). Item 100 is the sum of the Weighted Amount (Column 5) in rows 60 to 90. Item 150 is the sum of the Weighted Amount (Column 5) in rows 110 to 140.

Documented Repos

For documented repos, the weighted amount should be the higher of zero and:

{Market value of securities sold or lent - Market value of collateral taken}

x counterparty risk weight x 8%

If it seems to the FSA that the nature of a bank's repo/reverse repo business is such that the risks are significant (eg in terms of the volume or nature of activity), the FSA may require that all such transactions are treated as forwards (ie with risk cushions applying). Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) are met, the replacement cost of a bank's repos and reverse repos with a single counterparty may still be netted, but the risk cushion factors should not be netted.

Securities, and if appropriate collateral, should be marked to market at least once a day. The amounts to be received or given should include all cashflows related to the securities and the transactions - manufactured dividends, interest, fees. Thus the amount to be received would include payments which the counterparty should have made to the bank but which have not yet been received, and the amount to be given would include payments which should have been made to the counterparty but which have not yet been paid. Receivables may not be included on the day when they are due, but they should be included if not received the following business day.

Collateral received may take the form of a guarantee, letter of credit, or similar instrument provided by a Zone A bank if that bank would not be considered to be a connected lender if it was making a loan to the recipient of the securities. In the event that the guarantor is not a Zone A bank or is a connected bank, the capital requirement for the securities lender should be:-

Market Value of Securities lent x Counterparty Risk Weight x 8%

Documented Reverse Repos

For documented reverse repos, the weighted amount will be the higher of zero and:

{Market value of collateral given - Market value of securities bought or borrowed}

x counterparty risk weight x 8%

If it seems to the FSA that the nature of a bank's reverse repo business is such that the risks are significant (eg in terms of the volume or nature of activity), the FSA may require that all such transactions are treated as forwards (with the application of risk cushion factors). Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) are met, the replacement cost of a bank's repos and reverse repos with a single counterparty may still be netted, but the risk cushion factors should not be netted.

Undocumented Repos / Reverse Repos

Repos/reverse repos that do not meet the documentation and margining requirements set out above are referred to as undocumented repos and should be treated as follows: the measure used takes account of both the current replacement cost of the contract, and its potential value. The latter is incorporated through use of risk cushion factors (RCF) which reflect the likely volatility of security prices. These risk cushion factors are derived from the matrix of add-ons used to calculate the capital requirements for potential future exposures on off-balance sheet contracts. In determining the size of the risk cushion factor, reference is made to the maturity of the securities and of the collateral, rather than to the maturity of the transaction. The risk cushion factors are:

Interest rate products

Residual maturity:	risk factor
less than one year	0.25%
to five years	0.50%
five years or over	1.50%
Equities	6.00%

Where one side of a transaction is denominated in a currency other than that of the other side, and circumstances are such that a risk cushion factor applies, the risk cushion factors should be each increased by 1%.

In assigning risk cushions, banks should be aware of the following:

Where the collateral is provided in the form of cash, a guarantee, a letter of credit, or an instrument performing a similar function issued by a Zone A bank, a risk cushion factor of 0% should be applied.

Where the bank is receiving securities in exchange for cash (or collateral), the weighted amount is:

{replacement cost of forward + potential future credit exposure}

x counterparty risk weight x 8%

where

replacement cost

= higher of zero and the difference between market value of securities to be received and contracted value for forward delivery (in the case of forward purchases) or market value of collateral (in the case of repos);

potential future credit exposure

= the risk cushion factor applicable to the securities (or collateral if it is higher) multiplied by the contracted value for forward delivery;

Column 3 should be the sum of Columns 1 and 2. The weighted amount in Column 5 should be the multiple of the amount at risk (Column 3) and the Weight (Column 4). Item 50 is the sum of the Weighted Amount (Column 5) in rows 10 to 40.

Netting Of Counterparty Risk On Repos/Reverse Repos

Counterparty risk on repos and reverse repos with the same counterparty may be netted when the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met. Counterparty risk on repos arises when the value of the collateral reversed in is less than the value of the securities repoed out, while counterparty risk on reverse repos arises when the value of the securities reversed in is less than the value of the collateral given. This counterparty risk can be offset either by excess collateral on other repos or excess securities received on other reverse repos with the same counterparty.

Lines 60 to 90: If the total amount of collateral held on repos with the same counterparty is worth more than 100% of the market value of the securities sold or lent, the reported value of collateral on these deals should be the same as the market value of the securities. Excess collateral held on repos with one counterparty (lines 60 - 90 column 2) may be used to offset a shortfall in securities received on reverse repos with that counterparty (by transferring the excess to column 2 of lines 110 - 140). In other words if reverse repos with one counterparty are undercollateralised, any excess collateral received on repos with that counterparty may be included to increase the market value of securities received on reverse repos.

Lines 110 to 140: If the market value of securities bought or borrowed on reverse repos with the same counterparty is worth more than 100% of the market value of the collateral given, the reported value of the securities on these deals should be the same as the market value of the collateral. Again, excess securities received on reverse repos with one counterparty (column 2 lines 110 - 140) may be used to offset a shortfall in collateral held on repos with that counterparty (by transferring the excess to column 2 of lines 60 - 90). In other words if repos with one counterparty are undercollateralised, any excess securities received on reverse repos with that counterparty can be included to increase the market value of collateral taken on repos.

Example

Repos:	market value of securities sold = 100mn
	market value of cash received = 95mn
Reverse repos:	market value of cash forwarded = 200mn
	market value of securities bought = 202mn

All transactions are conducted with a Zone A bank (weighted at 20%).

Reporting:	Line 80	column 1 = 100mn;	column 2 = 97mn;	column 3 = 3mn;
	Line 130	column 1 = 200mn;	column 2 = 200mn;	column 3 = 0mn.

In this particular example, the 2mn of excess securities on the reverse repos has been transferred to collateral taken on the repos (column 2).

Repos

When netting is allowed, the weighted amount will be the higher of zero and:

{Market value of securities sold or lent - Market value of collateral taken - Reductions from netting} x counterparty risk weight x 8%

Reverse Repos

When netting applies, the weighted amount will be the higher of zero and:

{Market value of collateral given - Market value of securities bought or borrowed - Reductions from netting} x counterparty risk weight x 8%

APPENDIX B-V: CAPITAL REQUIREMENT FOR FOREIGN EXCHANGE RISK

Appendix B-V should be completed on the basis of underlying positions and not capital requirements. The capital requirement derived from the positions reported in this Appendix should be reported in items B150 and B160.

Banks should identify their "base currency" in the "Base currency" box. A UK-incorporated bank's base currency will generally be sterling, in which case the bank should write the 2 and 4 character country codes (UK / UKIN) in the base currency box. Where a bank wishes to use another currency as base, it should first discuss the matter with its supervisor.

The net open position in each currency (including gold but excluding the base currency) should be calculated according to Chapter FX (Foreign exchange risk), Section 3, of the FSA Policy Guide/IPRU (BANK). Positions in composite currencies may either be broken down into positions in the component currencies according to the quotas in force, or treated as positions in a separate currency. However, one or other method should be used consistently. Positions in American depository receipts should be treated as positions in the currency of the underlying instrument.

For consolidated returns, net open positions should include the non-base currency exposures of any subsidiaries where the Trading Book is consolidated line-by-line. When subsidiaries' Trading Books are consolidated by aggregation-plus, the subsidiaries' foreign exchange exposure should be calculated separately. Where a reporting institution has a non-base currency investment in an aggregation-plus subsidiary and the foreign exchange risk in that subsidiary is calculated using that currency as the base currency, then the investment, including retained earnings, should be included in the reporting institution's foreign currency position for the purposes of this appendix. Where the foreign exchange risk in the subsidiary is calculated using the same base currency as in the reporting institution then the investment in the subsidiary, plus retained earnings, should <u>not</u> be included in the calculation of the reporting institution's foreign currency position for the purposes of this appendix.

The net position in all currencies in which either the gross long or the gross short position exceeds £1million equivalent should be separately identified in column 1. Institutions should enter the 2 and 4 character country codes in the relevant boxes for any additional currencies not listed on the appendix. Where the number of currencies exceeds the number of lines provided, these (the smallest in value) should be aggregated and reported on lines U8 / UNAS (for net long positions) and U9 / UNAL (for net short positions).

The net position in other currencies (ie individual positions below £1million) should be aggregated according to whether they are long or short and included in the lines OTHL and/or OTHS. Net positions in gold should be separately identified in the "gold" section of column 1.

The base currency item in Column 1 (usually sterling) is a balancing item. It should be calculated as the amount required to make the sum of the positions in currencies (excluding gold) reported in Column 1 equal to zero.

Positions in Column 1, other than the balancing item in the base currency, should be allocated to either Column 2 or 3 in line with the agreed policy set out in the Trading Book Policy Statement. (In certain circumstances, it may be appropriate to split the position in one pre-determined currency, with only a proportion included in the backtesting method. Such a treatment should also be agreed in advance with the supervisor).

The capital requirement for the basic method, which should be reported at the bottom of Column 2, is 8% of the higher of the aggregate net short/long open currency positions reported in Column 2 plus 8% of the absolute value of gold position reported in column 2. This will appear in item B150.

The capital requirement for currency and gold positions included in the backtesting method should be reported at the bottom of column 3 and in item B160. The minimum requirement is 2% of the sum of the higher of net short/long open currency positions and the absolute value of the position in gold in Column 3: the entry at the bottom of Column 3 and in item B160 must be at least as large as this in order for the return to be processed.

From 1 September 1999, only the basic method should be used to calculate foreign exchange risk unless the reporting institution is using a VaR model. Accordingly, Columns 2 and 3 are no longer applicable, as column 1 is the same as column 2.

APPENDIX B-VI - CAPITAL REQUIREMENT FOR INTEREST RATE GENERAL MARKET RISK

Chapter TI (Interest rate position risk) of the FSA Policy Guide/IPRU (BANK) contains three alternative methods that may be used for the calculation of interest rate general market risk. Reporting institutions should specify which method they use for each category of instrument, but this will form part of their Trading Book policy statement and will not be reported on this form. Reporting institutions are not required to report the full details of the calculation performed under those methods to arrive at the capital requirement for each currency. However, banks should maintain systems to perform this calculation, and their supervisors might sometimes ask to see the detailed calculations for particular currencies. These need not be produced in a standard format, as the supervisor will accept a printout from the reporting bank's internal system.

Reporting institutions should report the weighted net long and net short position in interest rate products in each zone, broken down by currency of denomination (rather than country of issue,) as listed (for unlisted currencies, use the 2 and 4 character country codes where appropriate) on the appendix: ie for banks reporting under the duration-based approach, nominal*price*duration*assumed move in rates (or if using models, PV01*assumed move in rates), and under the maturity-based approach, nominal*price*weighting factors. These figures should be derived from the individual net positions used in either the maturity or duration based approaches or from models recognised by the FSA, and will not necessarily (depending on whether the duration or maturity approach, or a combination of the two, is used) cross reference with the capital requirement arising from the maturity based, duration based and simple approaches (Columns 1 to 6 do not equal Columns 7 to 10). The total general market interest rate risk position will be the sum of the columns for maturity based approach, duration based approach and simplified method.

Simplified Method: Interest Rate

Reporting institutions which have chosen to apply the simplified method (Chapter TI (Interest rate position risk), Section 4, of the FSA Policy Guide/IPRU (BANK)) for interest rate risk should report the resultant capital requirement for each currency in the simplified method column. The figures input to this column should be derived using the simplified approach.

Maturity Based Approach

The capital requirement for positions treated under the maturity based approach should be reported in column 7. The maturity bands covered by each zone are:

	Maturity Based Approach **Coupon of 3% or more**	**Maturity Based Approach** **Coupon under 3%**
Zone One	12 Months & Under	12 Months & Under
Zone Two	Over 12 Months & Up to 4 Years	Over 12 months & Up to 3.6 Years
Zone Three	Over 4 Years	Over 3.6 Years

Duration Based Approach

The capital requirement for positions treated under the duration based approach should be reported in column 8. The duration bands covered by each zone are:

	Duration Approach
Zone One	12 months & Under
Zone Two	Over 12 months and up to 3.6 Years
Zone Three	Over 3.6 Years

General

Positions in sterling index linked gilts should be reported in a separate line.

From 1 January 1999, the euro and the participating national currency units should be treated as the same currency and be reported in the line for the euro. The euro should not be capitalised.

Details should be provided for each individual currency listed on this form. Details for individual currencies in which the reporting institution has aggregate long and short positions equivalent to £1million or more should be entered in the blank rows provided.

Business in currencies with aggregate long and short positions below £1million should be aggregated and reported in the row for non material countries. This row should be completed on a gross basis. Positions in one currency should not be used to offset positions in another currency.

Reporting institutions which prefer to submit data on interest rate positions in each currency (using the 2 and 4 character country codes) regardless of materiality may do so. Where the number of currencies exceeds the number of lines provided, these (the smallest in value) should be aggregated and reported on the line U9 / UNAL.

Embedded Interest Rate Risk On Equity Derivatives (Including Options)

For general interest rate position risk on equity derivatives, an amount equal to the notional underlying equities may be included in Appendix B-VI as government securities with a coupon below 3% in the currency concerned. Banks should only report in this way if the FSA is satisfied, and has given express written agreement, that sufficient controls are in place to monitor this interest rate exposure and to take account of dividend exposures and liquidity risk. If a bank has an approved interest rate sensitivity model, the interest exposure may be incorporated into that model.

Unless otherwise agreed with the FSA, embedded interest rate exposures in equity derivatives should be calculated as in Chapter TE (Equity position risk), Section 5, Paragraphs 5-7, of the FSA Policy Guide/IPRU (BANK) and reported in item B215.

APPENDIX B-VII: EQUITY POSITION RISK

Banks should report their equity portfolio subdivided by country of issuer (rather than by currency). Banks should report separately their equity position in each country listed in Appendix B-VII. For all other countries, banks may choose to report these using the additional lines (using the 2 and 4 character country codes, largest in value first) or aggregate the material countries and report on line U9 / UNAL where the number of currencies exceeds the number of lines provided, or aggregate into a single row (XF / NONM) the reported figures for those countries in which the total gross equity position is less than £1 million, but offsetting of positions should not be applied between countries so aggregated (ie net equity positions for each country should be aggregated disregarding sign).

Standard Method

Gross equity positions (including positions in indices) should be reported in Columns 1, 2 or 3 according to the tests and definitions set out in Chapter TE (Equity position risk), Section 4, of the FSA Policy Guide/IPRU (BANK). Under the standard method positions in “highly liquid” stocks which form a “diversified portfolio” for the country concerned should be reported in Column 2. Positions in highly liquid indices which attract a charge for execution risk should be reported in column 3. All other positions should be reported in Column 1. Banks should include any notional equity instruments underlying positions in derivatives, but should exclude positions in “highly liquid” equity indices, unless they have been broken down into their components for the purpose of offsetting other positions. The capital requirement for specific/execution risk calculated from these positions is the total of Column 1 multiplied by 8% plus the total of Column 2 multiplied by 4% plus the total of Column 3 multiplied by 0%. This capital requirement should not be reported in Appendix B-VII, but in item B230. Column 4 is the sum of Columns 1, 2 and 3.

The absolute value (ie disregarding sign) of net equity positions should be reported in Columns 5 and 6. Banks should include any notional equity instruments, underlying positions in derivatives and also any positions in indices. For "concentrated" positions, ie those which form more than 20% of the total gross equity position for the country concerned, the value of the position in excess of 20% should be reported in Column 5 (disregarding sign), the remainder of the position being included in Column 6. If more than one concentrated position exists within a country portfolio, the reported excess positions should be aggregated without offsetting (ie disregarding sign) or use zone A/B distinction.

Column 7 is the sum of Columns 5 and 6. The capital requirement for general risk calculated from these positions is the total of Columns 5 and 6 multiplied by 8%. This capital requirement should not be reported in Appendix B-VII, but in item B240.

Equity positions arising from underwriting should be included within the gross and net equity positions reported for the relevant country. When discount factors are applied to underwriting positions prior to Working Day Zero and for the subsequent five days, the discounted position should be aggregated with other net equity positions for that country without offsetting (ie disregarding sign). [See Chapter TU (Underwriting in the capital adequacy framework) of the FSA Policy Guide/IPRU (BANK) for more details on the treatment of underwriting.]

Equity Simplified Method

Banks which have chosen to apply the simplified method for equity position risk should report gross equity positions either entirely in Column 1 (attracting an 8% charge). Equity index positions should be included in the gross position for the relevant country. The capital requirement for specific risk, which should be reported in item B230, is the total of Column 1 multiplied by 8%.

Under the simplified method the general risk requirement is calculated in the same way as under the standard method: the capital requirement for general market risk, which should be reported in item B240, is the total of Columns 5 and 6 multiplied by 8%.

APPENDIX B-VIII - COMMODITY POSITION RISK

This section outlines the calculation of capital charges for commodity position risk. For the purposes of this section, a commodity includes any physical product which is or can be traded on a secondary market and positions in respect of contracts whether tangibles or intangibles not covered elsewhere in these reporting instructions. Commodities therefore include agricultural products, base metals, other minerals and various precious metals; however, gold is excluded and is treated as a foreign currency according to the methodology set out under Appendix B-V. Any bank which is unsure whether a particular type of contract should be treated as a commodity for the purposes of this note should contact its line supervisor.

The capital requirements outlined here are intended to cover market-related risks. Banks may in addition face counterparty credit risk; the methodology for calculating the capital requirements in respect of such credit risk remains unchanged as is explained in Appendix A-1. The funding of commodities positions may, moreover, result in a bank incurring interest or foreign exchange exposure. If this is so, then such positions should be recorded as described in Appendices B-V and B-VI.

There are three alternatives for measuring commodity position risk: the internal models approach, the maturity ladder approach and the simplified approach. This section is concerned with the maturity ladder and simplified approaches only. Banks may choose themselves whether they wish to use the simplified or maturity ladder methodologies or some combination of the two.

Definition of a single commodity

Capital charges should be calculated for each commodity separately; long and short positions in the same commodity only should be matched (see below) prior to determining the net open position. For the purpose of these calculations, specific items may be considered as being elements of the same commodity if:

(a) positions in different sub-categories are deliverable against each other; or

(b) positions in commodities which are close substitutes for each other such that price movements over a minimum period of one year can be shown to have a stable and reliable correlation of at least 0.9.

Banks may undertake the matching of positions under option (b) above. However they should obtain the prior approval of their line supervisor before doing so. A bank wishing to treat positions in respect of non-identical items as the same commodity should be able to demonstrate that the correlation is valid and to monitor its continuing validity.

Derivative positions

All commodity derivatives and off-balance sheet positions which are affected by changes in commodities prices should be included in the calculation of commodity risk capital charges. These include commodity futures, commodity swaps and options. In applying the maturity ladder and simplified approaches, commodity derivative positions should be converted into notional commodity positions and assigned a maturity as follows:

- futures and forward positions relating to individual commodities should be included as notional amounts of barrels, kilos etc. and should be assigned a maturity based on their expiry date;

- commodity swaps where one leg is fixed price and the other is the current market price should be incorporated as a series of positions equal to the notional amount of the contract, with one position corresponding with each payment on the swap and slotted into the maturity ladder accordingly. The positions will be long positions if the bank is paying fixed and receiving floating and short positions if the bank is receiving fixed and paying floating; and

- for commodity swaps where the legs are in different commodities, each leg should be included in the relevant maturity ladder. No matching or off-setting should be carried out unless the commodities belong to the same sub-category as defined above.

- options and warrants on commodities may be treated under one of two methods. A simple method, called the carve-out, may be used for portfolios which contain (at most) only a small number of written options or warrants, and providing also they contain only plain vanilla and shorter-dated instruments. Banks with larger and/or more complex options portfolios should seek recognition for one of the option risk management models described in Chapter TS (CAD1 models) in the FSA Policy Guide/IPRU (BANK).

Maturity ladder approach

In utilising this methodology, each commodity position (spot plus forward) should be expressed in terms of a standard unit of measurement (barrels, tonnes, kilos). The adjustment of derivative items into notional commodity amounts is dealt with below. For each commodity, contracts or holdings expressed in a standard unit of measurement should be assigned to one of seven maturity or time bands (see below). Physical stocks should be entered into the first time band. A separate maturity ladder will apply to each commodity as defined above.

Table 1 - Time bands and spread rates

Time bands and spread rates

Time band	Spread rate
0-1 month	1.5%
1-3 months	1.5%
3-6 months	1.5%
6-12 months	1.5%
1-2 years	1.5%
2-3 years	1.5%
over 3 years	1.5%

Matched long and short positions in each time band should incur a capital charge. When calculating this charge, the sum of matched positions (i.e. both long and short positions) should be multiplied first by the spot price for that commodity and second by the spread rate for that band (1.5%). Any remaining unmatched position in a time band may be carried forward to the next time band. This amount may then be used to off-set positions in time bands that are further out. As the hedging of positions in different time bands is imprecise, a surcharge equal to 0.6% of the net position carried forward should be added in respect of each time band that the net position is carried forward.

In addition to matching within time bands set by the maturity ladder, banks may also engage in pre-processing (also known as off-setting or optimisation) in respect of commodities which have daily delivery dates. Under this procedure, banks may off-set long and short positions in a given commodity which mature on the same day or which mature within ten days of each other and are not required to carry these positions into the maturity ladder calculation. Banks may treat these ten-day periods as referring to business days. In addition, such ten-day periods need not be fixed and sequential and may overlap; a bank may therefore off-set a long position on day 45 with a short position on day 54 and another long position on day 48 with a short position on day 57 (all expressed in terms of working days). Ten-day off-set periods may cross maturity time bands.

A capital charge of 15% is applied to the residual net open amount after any pre-processing/optimisation, matching and carrying forward is complete.

Simplified approach

In calculating the capital charge for directional risk under the simplified approach, a similar procedure is adopted to that under the maturity ladder approach but with the important exception that all positions are treated as if they are in the same time band. A capital charge equal to 15% of the net position, long or short, is incurred in respect of each commodity. To guard against basis risk, interest rate risk and forward gap risk, the total capital charge for each commodity is subject to an additional capital charge equal to 3% of a bank's gross positions, long plus short, in the relevant commodity.

Reporting instructions - definitions

The total gross value of short and long positions for each commodity group should be recorded in columns A and B. Net open positions for each commodity group should be represented in column C. The total capital charge incurred in respect of the simplified approach should be recorded in column D and the total capital charge incurred through the maturity ladder approach in column E. The total of columns D and E should be recorded in column F.

Banks should use their judgement as to which commodities fall within a particular group. The same data as defined in the preceding paragraph should also be given for the top ten commodity positions, ranked by capital, which are held by the reporting bank. The definition of a commodity is given above. Banks may however agree materiality levels with their line supervisor. In such cases, banks may report separately commodity positions or capital charges that fall below the materiality threshold.

APPENDIX B-IX - BACKTESTING RESULTS

10 Minimum multiplication factor

This is the minimum multiplication factor which the FSA considers to be appropriate. This item should be rounded to 2 decimal places, multiplied by 100 and entered in the relevant box as integers (eg, a multiplication factor of 3.15 should be reported as 315).

20 Number of recorded backtesting exceptions

Reporting institutions should determine daily whether an exception has occurred. In order to determine whether an exception has occurred, the institution should compare the 'actual profit and loss' for the previous trading day with the corresponding VaR forecast for that trading day (calibrated to a one-day holding period and a 99% one-tail confidence limit). An exception occurs each time the actual daily loss exceeds the corresponding VaR estimate. This exception should be recorded. However the FSA may agree in particular cases that it is appropriate for such exceptions not to be recorded.

For this purpose, 'actual P&L' means the day's P&L arising from trading activities within the scope of the model. This measure should be 'cleaned' by excluding material non-market elements which might mask a loss. As part of the model recognition process, a reporting institution will agree its backtesting procedures with the FSA. Inter alia, the reporting institution and the FSA will agree on a definition of profit and loss to be used in backtesting, and on the scope of activities which should be included in the calculation of profit and loss. The profit and loss figures reported here should be based on this agreed definition and scope.

30 **Plus factor**

The plus factor is based on the number of recorded backtesting exceptions in item 20 :

<u>Exceptions</u>	<u>Pus Factor</u>
Up to 4	0.00
5	0.40
6	0.50
7	0.65
8	0.75
9	0.85
10 or more	1.00

The plus factor should be multiplied by 100 and entered in the relevant box as integers (eg, a factor of 0.40 should be reported as 40).

40 **Multiplication factor**

This equals the sum of items 10 and 30.

50 **Number of backtesting exceptions on total portfolio**

A reporting institution should report the number of exceptions recorded over the last reporting period (ie quarter for solo-consolidated/unconsolidated return, half year for consolidated return). These exceptions should be specified under item 51.0. In addition, the five largest daily losses and the five largest VaR measures (based on the one-day holding period and 99% confidence interval) should be reported separately under item 52.0 and item 53.0 respectively.

The VaR measure for backtesting purposes should be calibrated to a one-day holding period and a 99% one-tail confidence limit, and the actual profit and loss is the day's actual profit and loss arising from trading activities within the scope of the model. The VaR for a particular date should be the VaR forecast that was produced as at close of business on the previous trading day.

60 **Number of backtesting exceptions on interest rate specific risk**

A reporting institution should report the number of exceptions on portfolio for specific risk over the last reporting period. At a minimum, a reporting institution should conduct backtesting on the portfolios containing interest rate specific risk and the portfolios containing equity specific risk separately. The exceptions for interest rate specific risk should be specified under item 60.1. If the reporting institution conducts backtesting on a sub-portfolio level, this should be repeated for each sub-portfolio that is subject to interest rate specific risk.

The VaR measure for backtesting purposes should be calibrated to a one-day holding period and a 99% one-tail confidence limit, and the actual profit and loss is the day's actual profit and loss arising from trading activities within the scope of the model. The VaR for a particular date should be the VaR forecast that was produced as at close of business on the previous trading day.

70 Number of backtesting exceptions on equity specific risk

Report here the exceptions reported on backtesting on the portfolios containing equity specific risk. If the reporting institution conducts backtesting on a sub-portfolio level, this should be repeated for each sub-portfolio that is subject to equity specific risk.

The VaR measure for backtesting purposes should be calibrated to a one-day holding period and a 99% one-tail confidence limit, and the actual profit and loss is the day's actual profit and loss arising from trading activities within the scope of the model. The VaR for a particular date should be the VaR forecast that was produced as at close of business on the previous trading day.

APPENDIX B-X: EXPOSURES COLLATERALISED/GUARANTEED/NETTED

When exposures being netted for the calculation of counterparty risk all fall in the Banking Book, the net exposure should be reported as a risk in Section A (in the Banking Book column). Similarly if all exposures fall in the Trading Book, the net exposure should be reported as a risk in the Trading book (in Section B, with a corresponding entry in the Trading Book column in Section A). If the exposures are divided between both Banking and Trading Book, the net amount should be reported as a risk in the Trading Book in Section B. As soon as a counterparty ceases to be a counterparty to an exposure in the Trading Book, the net amount should be reported as part of the Banking Book.

The residual netted amount should be reported in the relevant risk weighting band for counterparty risk. But see SGN5 for guidance. If the statutory accounting treatment is gross but the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) on netting have been met, and netting has been agreed for Trading Book (Section B) reporting purposes, those exposures netted out should be reported in the zero percent band in the relevant asset category. The adjustments made by the reporting institution to the Trading Book (Section B) in respect of netted exposures should be shown additionally in Appendix B-X.

The above treatment may be applied to netting of on balance sheet exposures, the netting of the replacement cost of off balance sheet exposures, and any netting of the potential future credit exposure (add-on).

BSD3 SECTION C - CONSOLIDATION VIA AGGREGATION PLUS INTO THE TRADING BOOK

Reporting institutions using the aggregation plus methodology to consolidate entities into the consolidated Trading Book should complete this section on consolidated returns. Each entity consolidated via aggregation plus should be entered on a separate line. Entities consolidated using the line-by-line method should not be reported here, but should be included in the consolidated Section B.

Note that incremental capital for large exposures is calculated on a line-by-line basis.

The Trading Book capital requirement for each entity is based on either the FSA's capital requirements or those of the subsidiary's local regulator; each reporting institution should have agreed with its line supervisor which the appropriate treatment for each subsidiary, and should annotate this on each line of the form.

Part of the Trading Book may be consolidated using line by line consolidation and part using aggregation plus; in this case, only the capital requirement for risks consolidated using aggregation plus should be reported here, with the remaining Trading Book positions reported In the consolidated Section B.

The FSA may agree with reporting institutions which are part of large groups that it is appropriate for them to report at the level of an intermediate holding company. The way in which this should be reported on the form will be agreed directly with the institution concerned.

Column A FSA / local regulator's rules applied

Where the FSA's requirements are applied, enter '1'. Where the local regulator's rules are applied, enter '0'. The local regulator's rules should only be used where they are considered to be equivalent to the CAD. The bank should seek the FSA's opinion on whether this is the position in particular cases. For further details see Chapter CS (Consolidated supervision) of the FSA Policy Guide/IPRU (BANK).

Column B Trigger ratio applied

Where the FSA's requirements are applied, the trigger ratio applied should be the consolidated Trading Book trigger ratio. The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and entered in the relevant boxes as integers (eg, a ratio of 8.50% should be reported as 850).

Where local regulator's rules are applied, some local regulators set more than one supervisory ratio, the first ratio being the figure below which the subsidiary risks withdrawal of authorisation or some formal sanction, and another ratio being a figure below which the subsidiary must report its position immediately to the local supervisor but no remedial action or sanction will be imposed. In such cases, the capital requirement reported here should be that according to the former ratio.

Where no supervisory ratio is used, and instead a capital requirement is directly computed, then the subsidiary should report 8% here.

Column C Trigger capital requirement

Institutions should report here for each subsidiary the total capital requirement set by the supervisor whose rules or requirements are applied. If the FSA requirements are applied, the capital charges should be calculated for the subsidiary in accordance with Chapters CS (Consolidated supervision) and CO (Capital adequacy overview) of the FSA Policy Guide/IPRU (BANK) and should be scaled up (ie the capital charge divided by 8% and multiplied by the trigger ratio) by institution's consolidated Trading Book trigger ratio.

If another (CAD-equivalent) supervisor's rules are applied, the capital requirement is the amount set by that supervisor. FSA's consolidated Trading Book trigger ratio should not be applied.

Where the subsidiary's capital requirement for market risks is partly or wholly determined by use of a recognised internal model, then any plus factor applied on a solo basis to that subsidiary should also be applied during the process of aggregation plus consolidation: that is, the capital requirement reported should include the plus factor. It should also use the same multiplication factor as that imposed by the local regulator.

Where the capital requirement of the subsidiary includes an incremental capital charge for large exposures on a solo basis, this charge should **not** be included in column C; the exposures of each entity should be consolidated line-by-line instead and any incremental capital for large exposures will be reported in a consolidated Section B.

Column D Notional risk weighted assets

Report here the notional risk weighted assets applicable to the capital requirement reported in each subsidiary. The notional risk weighted assets equal (column C divided by column B) multiplied by 10000.

Column E Incremental capital for large exposures

Column E is a memorandum item. The incremental capital charge applied to each subsidiary should be reported here.

Columns F-J Capital requirement against which Tier 3 capital may / may not be held

Report in column F the capital requirement for market risks, where local regulator's rules are applied and the local regulator allows the use of Tier 3 capital, or where the FSA requirements are applied.

Report in column G the capital requirements for market risks, where the local regulator does not allow the use of Tier 3 capital.

Tier 3 capital should not be used to support counterparty/settlement risks. However, where the local regulator permits a subsidiary to use Tier 3 capital to support counterparty/settlement risks, the institution may apply to the FSA for permission to use Tier 3 capital to support counterparty/settlement risks in that subsidiary on consolidation. Where the FSA has given express written agreement, these counterparty/settlement risks should be reported in column H.

Report in column J the capital requirement for counterparty/settlement risks against which Tier 3 may **not** be held.

Column K Plus factor

Report here the plus factor applied to the internal model in each entity (where applicable). Where no internal model is used for regulatory purposes, report ‘N/A’. Where an internal model is used for regulatory purposes, but the plus factor applied is zero, report ‘0’ (where the factor is greater than zero, this should be multiplied by 100 and reported as integers).

Column L Target capital requirement

Report here the capital requirement when the target ratio is applied. Where the FSA requirements are applied to a subsidiary, the capital requirements reported in column C should be multiplied by the consolidated Trading Book target ratio and divided by the consolidated Trading Book trigger ratio. Capital requirements for subsidiaries consolidated using local regulators’ rules need not be scaled up.

Thus, column L equals the greater of column A * column C * (item D150/Column B) and column C

BSD3 SECTION D: CAPITAL ADEQUACY SUMMARY

D10-D30 CAPITAL BASE

D10 Tier 1: Core capital

This equals item A550.

D20 Eligible Tier 2

This equals item A630.

D30 Eligible Tier 3

This equals item A638.

D40 Total Eligible capital

This equals the sum of item D10 to item D30.

D50-D90 BANKING BOOK CAPITAL REQUIREMENTS / RISK WEIGHTED ASSETS

D50 Banking Book trigger ratio

This item equals the Banking Book trigger ratio set by the FSA. The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers (eg, a ratio of 10.5% should be reported as 1050).

D60 Banking Book target ratio

This item equals the Banking Book target ratio set by the FSA. The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers (eg a ratio of 12% should be reported as 1200).

D70 Total Banking Book risk weighted assets

This item collects totals for risk weighted assets and off-balance sheet items, by weighting band, reported in Section A.

Item D70.1 equals zero.

Item D70.2 equals the sum of the amounts reported in the column of weighted Banking Book amounts for the 10% band for all assets and off-balance sheet items in Section A (ie all the 10% band assets from item A40.2 to item A260.2, all the 10% band off-balance sheet items from item A340.2 to item A 440.3) plus the weighted Banking Book amount column for memorandum item A320.2 (which should be a positive number), **less** the weighted Banking Book amount for memorandum item A280.2. (Memorandum item A280. 2 is deducted in the above sum because it will be deducted elsewhere from capital, and yet has also been included within one of the amounts recorded in the risk weighted items above.)

Item D70.3 equals the sum of the amounts reported in the column of weighted Banking Book amounts for the 20% band for all assets and off-balance sheet items in Section A (ie all the 20% band assets from item A30 to item A260.3, and all the 20% band off-balance sheet items from item A340.3 to item A 440.4) plus the weighted Banking Book amount column for memorandum item A320.3 (which should be a positive number), **less** the weighted Banking Book amount for memorandum item A280.3. (Memorandum item A280.3 is deducted in the above sum because it will be deducted elsewhere from capital, and yet has also been included within one of the amounts recorded in the risk weighted items above.)

Item D70.4 equals the sum of the amounts reported in the column of weighted Banking Book amounts for the 50% band for all assets and off-balance sheet items in Section A (ie all the 50% band assets from item A40.4 to item A150.3, and all the 50% band off-balance sheet items from item A340.4 to item A440.5), **less** the weighted Banking Book amount for memorandum item A280.4. (Memorandum item A280.4 is deducted in the above sum because it will be deducted elsewhere from capital, and yet has also been included within one of the amounts recorded in the risk weighted items above.)

Item D70.5 equals the sum of the amounts reported in the column of weighted Banking Book amounts for the 100% band for all assets and off-balance sheet items in Section A (ie all the 100% band assets from item A40.5 to item A260.4, and all the 100% band off-balance sheet items from item A340.5 to item A440.8) plus the weighted Banking Book amount column for memorandum item A320.4 (which should be a positive number), plus item A462, **less** the weighted Banking Book amount for memorandum item A280.5. (Memorandum item A280.5 is deducted in the above sum because it will be deducted elsewhere from capital, and yet has also been included within one of the amounts recorded in the risk weighted items above.)

Item D70.6 is the sum of the original exposure and replacement cost methods for OTC derivatives in the Banking Book (ie the sum of items A452, A472 and A474).

D80 Banking book capital requirements

This equals total Banking Book risk weighted assets (item D70) multiplied by the Banking Book trigger ratio (item D50/10000).

D90-D110 CAPITAL ALLOCATED TO THE BANKING BOOK

Item D110 should equal the capital required to support the Banking Book as reported in item D80 unless there is insufficient capital available to meet the regulatory capital requirements while satisfying the constraints on capital.

Total capital allocated to the Banking Book (ie item D110) should equal the sum of Tier 1 and Eligible Tier 2 capital (ie items D90 and D100). Use as much Tier 2 capital as possible subject to the constraint that *at least half the capital used to support the banking book should be Tier 1 capital :* eligible Tier 2 capital allocated to the Banking Book (ie item D100) should be less than or equal to Tier 1 capital allocated to the Banking Book (item D90). Item D100 should equal item D110 divided by 2 unless (item D110/2) is greater than eligible Tier 2 capital (ie item D20); in this case item D100 should equal D20, and item D90 should equal item D80 **less** item D100.

Tier 3 capital should not be held against Banking Book risks. If item D110 is less than item D80, then the institution may have insufficient capital to meet its regulatory capital requirements and should contact its line supervisor immediately.

D120-D320 TRADING BOOK CAPITAL REQUIREMENTS/NOTIONAL RISK WEIGHTED ASSETS

D120 Exempt from CAD reporting date

This is a simple YES/NO field. If reporting institutions were exempt from the Capital Adequacy Directive capital requirement at the reporting date (see Chapter CB (Trading book/banking book division), Section 4, of the FSA Policy Guide/IPRU (BANK) for details of exemption), they should tick "YES" and progress to item D130. Non-exempt institutions should progress to D140.

D130 If Yes, number of days over threshold in reporting period

If a reporting institution is exempt from the CAD capital requirement at the reporting date, it should report here the number of days on which it has exceeded the lower threshold (euro 15mn or 5% of its combined on- and off-balance sheet positions, see Chapter CB (Trading book/banking book division), Section 4, Paragraph 2, of the FSA Policy Guide (Section 4, Paragraph 3 of IPRU (BANK)) for details) since the last reporting date. If on any day it has exceeded the higher threshold (euro 20mn or 6%), it should complete Section B.

D140 Trading Book trigger ratio

This is the Trading Book trigger ratio set by the FSA for CAD banks. The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers (eg, a ratio of 11% should be reported as 1100).

D150 Trading Book target ratio

This is the Trading Book target ratio set by the FSA for CAD banks. The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers (eg, a ratio of 11.50% should be reported as 1150).

D160-D220 CAPITAL REQUIREMENTS FOR SOLO AND LINE BY LINE CONSOLIDATED ENTITIES

The Standard Approach takes the Trading Book capital "haircuts" from Section B (ie the capital which would be required for these exposures if the Basle minimum 8% capital ratio were applied) and calculates the capital requirements by applying the reporting institution's Trading Book trigger ratio. Where this form is completed on a consolidated basis, the institution's consolidated Trading Book trigger ratio will apply. If the FSA has agreed that it is appropriate for an institution to use a Value at Risk model (Internal Model Approach) in calculating capital requirements, it will also have discussed with the institution extra reporting appropriate to its particular circumstances. The numbers for the Internal Model Approach are reported in item B290 to item B340, and may replace all or part of the Trading Book capital requirements reported in items D180 to D210 above, or for aggregation plus consolidated subsidiaries reported in item D300 below.

D160 Counterparty/Settlement risk

This equals item B100 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D170 Incremental capital for large exposures

This equals item B140 of section B divided by 8% and multiplied by the institution's Trading Book trigger ratio. Note that when this form is completed on a consolidated basis, item B140 will include incremental capital for large exposures for the consolidated group as set out on Form LE2 (part 5) (ie including subsidiaries consolidated using the aggregation plus method as well as those consolidated line-by-line), since large exposures are consolidated line-by-line only.

D180 Foreign exchange risk

This equals item B180 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D190 Interest rate position risk

This equals item B220 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D200 Equity position risk

This equals item B270 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D210 Commodity position risk

This equals item B284 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D220 Total capital requirement for trading book risk not subject to models

This equals the sum of item D160 to item D210 above.

D230-D250 INTERNAL MODELS APPROACH

D230 Capital charge for market risk

This equals item B320 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D240 Capital charge for specific risk

This equals item B330 divided by 8% and multiplied by the institution's Trading Book trigger ratio.

D250 Total capital requirement for risk subject to internal models

This item should equal the sum of items D230 and D240.

D260-D300 CAPITAL REQUIREMENTS FOR ENTITIES CONSOLIDATED VIA AGGREGATION PLUS

Reporting institutions should complete these items only when the return is submitted on a consolidated basis. The capital requirements for individual subsidiaries consolidated using the aggregation plus methodology (see Chapter CS (Consolidated supervision) of the FSA Policy Guide/IPRU (BANK)) are reported in Section C.

D260 Market risk against which Tier 3 capital may be held

This equals item C30 column F.

D270 Market risk against which Tier 3 capital may not be held

This equals item C30 column G.

D280 Non-market risk against which Tier 3 capital may be held

This equals item C30 column H.

D290 Non-market risk against which Tier 3 capital may not be held

This equals item C30 column J.

D300 Total capital requirements for entities consolidated via aggregation plus

This equals item C30 column C.

D310 Total Trading Book capital requirements

This item is the sum of items D220, D250 and D300.

D320 Total Trading Book notional risk weighted assets

This equals items ([D220 plus D250] divided by item D140)*10000 plus item C30 column D.

D330-D360 CAPITAL ALLOCATED TO THE TRADING BOOK

These items depend on the total Trading Book capital requirements and on the capital remaining after allocating capital to support the Banking Book. Tier 1 capital remaining after supporting the Banking Book equals item D10 less item D90; eligible Tier 2 capital remaining after supporting the Banking Book equals item D20 **less** item D100.

D330 Tier 1 capital

This item must not exceed the amount of Tier 1 remaining after supporting the Banking Book.

D340 Eligible Tier 2 capital

This item should not exceed the amount of eligible Tier 2 capital remaining after supporting the Banking Book. It should not exceed 200% of Tier 1 capital used to support the Trading Book (ie item D330 multiplied by 2).

D350 Eligible tier 3 capital

This item must not be greater than item D30 for the form to be processed. Institutions should allocate as much Tier 3 capital as possible to the Trading Book, since it should not be allocated to the Banking Book and should not contribute to the adjusted capital base if it is not used. Therefore, maximise the use of Tier 3 subject to the following two constraints: first, capital requirements for counterparty/settlement risk should not be satisfied using Tier 3 capital; second, the amount of Tier 2 capital and Tier 3 subordinated term debt used to satisfy the Trading Book capital requirements should not exceed twice the amount of Tier 1 capital used to meet those requirements (ie item D330 should be at least 50% of the sum of items D340 and D350).

The following method may be used to fill in item D330 to item D350:

(i) Item D330 should be at least one third of item D310.

(ii) Item D350 should be maximised subject to it not exceeding either the available Tier 3 capital (item D30) or the capital requirement against which Tier 3 capital may be used (the sum of items D220, D250, D260 and D280 less item D160).

(iii) Item D340 is the remaining capital which has not yet been met by either Tier1 or Tier 3 capital. This should equal item D310 less the sum of items D330 and D350.

Tier 3 capital should not be used to meet counterparty / settlement risk capital requirements.

D360 Total capital allocated to the Trading Book

This equals the sum of items D330 to D350. If the institution has sufficient capital after supporting its Banking Book requirements to support its Trading Book requirements, then item D360 should also equal item D310. If item D360 is less than item D310, then the institution may have insufficient capital to meet its regulatory capital requirements and should contact its line supervisor immediately.

D370-D390 ELIGIBLE CAPITAL NOT USED TO SUPPORT EITHER BOOK

D370 Tier 1

This is the amount of Tier 1 capital remaining after supporting the Banking Book and the Trading Book but before deductions (ie item D10 **less** the sum of items D90 and D330).

D380 Eligible Tier 2

This is the amount of Eligible Tier 2 capital remaining after supporting the Banking Book and the Trading Book but before deductions (ie item D20 **less** the sum of items D100 and D340).

D390 Total excess Tier 1 and eligible Tier 2 capital before deductions

This is the amount of total Tier 1 and eligible Tier 2 capital remaining after supporting the Banking Book and the Trading Book but before deduction (ie item D390 equals the sum of items D370 and D380). If item D390 is less than item D470, then the reporting institution may have insufficient Tier 1 and 2 capital left over after supporting the Banking Book and the Trading Book capital requirements to support the deductions from capital; it should contact its supervisor immediately in this case.

D400-D470 DEDUCTIONS FROM CAPITAL

D400 Investment in subsidiaries and associated companies

This equals item A160.

D410 Connected lending of a capital nature

This equals item A280.

D420 Off-balance sheet items of a capital nature

This equals item A340.6, A370.6, A380.6, A390.6, A410.5 and A440.7.

D430 Investments in bank and financial firm capital

This equals item A171.

D440 Qualifying holdings

This equals item A180.4

D450 Deduction plus consolidation

Where a reporting institution is exempt from capital requirements under CAD at both the solo level and consolidated level, and where it has been determined that some or all of its subsidiaries should be consolidated using deduction plus, these deductions should be reported here. The amounts deducted should be the higher of the investment in the affiliate and the affiliate's capital requirement as determined by its deduction from capital base. The assets of the affiliate should not be included in the calculation of weighted risk assets.

D460 Other deductions

All deductions from capital under The Banking Consolidation Directive (2000/12/EC) arising from subsidiaries which are consolidated using aggregation plus are reported here. For subsidiaries consolidated according to the FSA's requirements, the deductions should be for items which would correspond to item D400 to item D460 for that subsidiary. For subsidiaries consolidated using a local regulator's rules, the deduction should be all the deductions from capital made by the local regulator; for example, for subsidiaries of a securities and futures firm, this would include any deductions made from capital when assessing the "financial resources". However, in that case, if a deduction related to a firm which is part of the group consolidation (and which would then result in a double deduction), the institution should agree with the FSA the method of reporting. The FSA may require further deductions relating to any part of the consolidated reporting institution on a case by case basis; these would probably relate to amounts reported in items A290, A300 and A310.

D470 Total deductions

This equals the sum of item D400 to item D460.

D480 Own Funds

This is 'own funds' as defined in Article 34 of the Banking consolidation Directive (2000/12/EC), as amended by CAD Annex V. This directive replaces The Directive on Own Funds, "OFD" (89/229/EEC). This should equal total eligible capital (ie item D40) **less** total deductions from Tier 1 and eligible Tier 2 capital (ie item D470).

D490 Adjusted capital base

The adjusted capital base is the sum of Tier 1 capital, eligible Tier 2 capital and **used** Tier 3 capital **less** deductions from capital (ie the sum of items D10, D20 and D350 less item D470).

D500 Total capital requirements

This represents the Banking Book and Trading Book capital requirements when the trigger ratios are applied. This equals the sum of items D80 and D310.

D510 Total risk weighted assets

This represents the Banking Book risk weighted assets and Trading Book notional risk weighted assets. This item equals the sum of items D70 and D320.

D520 Published risk asset ratio

This is an expression of the institution's capital adequacy relative to the Basle minimum 8% capital ratio. It is the ratio of the institution's adjusted capital base to the sum of its Banking Book risk weighted assets and its Trading Book notional risk weighted assets, expressed as a percentage. It equals item D490 multiplied by 100 and divided by item D510.

The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers in the relevant box (eg, a ratio of 10.50% should be reported as 1050).

D530 Trigger capital adequacy ratio

This is the institution's capital adequacy relative to its trigger capital requirements. It is the ratio of the institution's adjusted capital base to its supervisory capital requirement according to the trigger ratios set by the FSA (or by the local regulator for entities consolidated using the aggregation plus methodology). The ratio is expressed as a percentage: an institution with a trigger capital adequacy ratio less than 100 has insufficient capital to meet its regulatory requirements and it should contact its line supervisor immediately. This item should equal (item D490 multiplied by 100) and divided by item D500.

The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers in the relevant box (eg a ratio of 110.40% should be reported as 11040).

D540 Target capital adequacy ratio

This is the institution's capital adequacy relative to its supervisory target capital requirements. It is the ratio of the institution's adjusted capital base to its supervisory capital requirement according to the target ratios set by the FSA. The ratio is expressed as a percentage: an institution with a target capital adequacy ratio less than 100 has insufficient capital to meet its regulatory requirements and it should contact its line supervisor immediately. This item should equal item D490 multiplied by 100 and divided by the sum of (item D70 multiplied by itemD60/10000, item D150 divided by item D140 and multiplied by items [D220 plus D250], and item C30 column L).

The ratio (ie percentage rounded to 2 decimal places) should be multiplied by 100 and reported as integers (eg a ratio of 105.35% should be reported as 10535).

FORM BSD3 - CAPITAL ADEQUACY RETURN

GENERAL

Ref No	Item Number	
G1	FSA	> 0 **(Introduced in SRN/2001/2, effective December 2001)**

SECTION A : BANKING BOOK

INTERNAL VALIDATIONS

Ref No	Item Number	
1	AB40	= AB40.1 + AB40.2 + AB40.3 + AB40.4 + AB40.5
2	AB50	= AB50.1 + AB50.2 + AB50.3 + AB50.4
3	AB60	= AB60.1 + AB60.2 + AB60.3 + AB60.4
4	AB70	= AB70.1 + AB70.2 + AB70.3 + AB70.4
5	AB80	= AB80.1 + AB80.2 + AB80.3 + AB80.4
6	AB100	= AB100.1 + AB100.2 + AB100.3 + AB100.4
7	AB120	= AB120.1 + AB120.2 + AB120.3 + AB120.4
8	ANL120.1	≤ AB120.1
9	ANL120.2	≤ AB120.2
10	ANL120.3	≤ AB120.3
11	ANL120.4	≤ AB120.4
12	AB130	= AB130.1 + AB130.2 + AB130.3
13	AB140	= AB140.1 + AB140.2 + AB140.3
14	AB150	= AB150.1 + AB150.2 + AB150.3 + AB150.4
15	AB170	≥ AB171 + AB172
16	AT170	≥ AT171 + AT172
17	AB180	= AB180.1 + AB180.2 + AB180.3 + AB180.4
18	AB210	= AB210.1 + AB210.2
19	AT210	= AT210.1 + AT210.2
20	AB240	= AB240.1 + AB240.2 + AB240.3
21	AB260	= AB260.1 + AB260.2 + AB260.3 + AB260.4
22	AT270	= AT10 + AT20 + AT30 + AT40 + AT50 + AT60 + AT70 + AT80 + AT100 + AT110 + AT120 + AT130 + AT140 + AT150 + AT160 + AT170 + AT180 + AT190 + AT200 + AT210 + AT220 + AT230 + AT240 + AT250 + AT260 + AT265
23	AB270	= AB10 + AB20 + AB30 + AB40 + AB50 + AB60 + AB70 + AB80 + AB90 + AB100 + AB110 + AB120 + AB130 + AB140 + AB150 + AB160 + AB170 + AB180 + AB190 + AB200 + AB210 + AB220 + AB230 + AB240 + AB250 + AB260
24	AB280	= AB280.1 + AB280.2 + AB280.3 + AB280.4 + AB280.5
25	AT280	= AT280.1 + AT280.2 + AT280.3 + AT280.4 + AT280.5
26	AB290	= AB290.1 + AB290.2 + AB290.3 + AB290.4 + AB290.5

27	AB300	= AB300.1 + AB300.2 + AB300.3 + AB300.4 + AB300.5
28	AB310	= AB310.1 + AB310.2 + AB310.3 + AB310.4 + AB310.5
29	AB320	= AB320.1 + AB320.2 + AB320.3 + AB320.4
30	A330.01	= A330.11 + A330. 21
31	A330.02	$\leq$ A330.12 + A330.22
32	A330.01	$\leq$ A770
33	A330.02	$\leq$ AB270 + AT270
34	AB340	= AB340.1 + AB340.2 + AB340.3 + AB340.4 + AB340.5 + AB340.6 + AB340.7
35	AB350	= AB350.1 + AB350.2 + AB350.3 + AB350.4 + AB350.5 + AB350.6
36	AB360	= AB360.1 + AB360.2 + AB360.3 + AB360.4 + AB360.5 + AB360.6
37	AB370	= AB370.1 + AB370.2 + AB370.3 + AB370.4 + AB370.5 + AB370.6 + AB370.7
38	AB380	= AB380.1 + AB380.2 + AB380.3 + AB380.4 + AB380.5 + AB380.6 + AB380.7
39	AB390	= AB390.1 + AB390.2 + AB390.3 + AB390.4 + AB390.5+ AB390.6 + AB390.7
40	AB400	= AB400.1 + AB400.2 + AB400.3 + AB400.4 + AB400.5.
41	AB410	= AB410.1 + AB410.2 + AB410.3 + AB410.4 + AB410.5 + AB410.6
42	AB420	= AB420.1 + AB420.2 + AB420.3 + AB420.4 + AB420.5
43	AB430	= AB430.1 + AB430.2 + AB430.3 + AB430.4
44	AB440	= AB440.1 + AB440.2 + AB440.3 + AB440.4 + AB440.5 + AB440.6 + AB440.7 + AB440.8
45	AW452	= Appendix A-I W60
46		Superseded by validation 68 (val 3), SRN/1998/4
46	A530	= A480 + A490 + A500 + A510 + A520
47	A540	$\geq$ AT200 + AB200 + AT210.2 + AB210.2
48	A550	= A530 - A540
49	A590	= Appendix A-V 80G
50		Superseded by validation 69 (val 3), SRN/1998/4
51	A610 - A623	= A790
52	A622	= max (0,(A790 - (50% A550))
53		Superseded by validation 70 (val 3), SRN/1998/4
54	A624	= A580 +A590 + A600 + A610 + A620 - A621 – A622 - A623
55		Duplication of validation 56 (val 2), SRN/1998/4
56	A630	= A624 - A625
57	A638	= A631 + A633 - A635
58	A660	= A621 + A622 + A623 + A625 + A635
59	A690	= A690.1 + A690.2
60	A700	= A700.1 + A700.2 + A700.3
61	A710	= A710.1 + A710.2
62	A730	= A730.1 + A730.2
63	A760	= A760.1 + A760.2

64	A770	= A530 + A630 + A638 + A660 + A670 + A680 + A690 + A700 + A710 + A720 + A730 + A740 + A750 + A760 + A765
65	A770	= AT270 + AB270
66	A790	= A790.1 + A790.2
67	A790.2	= AA790.21+ AA790.22
68	A500	= A500.1 + A500.2 + A500.3
69	A610 - A622 - A623	≤ 50% A550
70	A623	= (AS790.21+AS790.22)-(AA790.21+AA790.22)

APPENDIX A-I VALIDATIONS

Ref No	Appx A-I Item No	
1	R60	= R10 + R20 + R30 + R40 + R50
2	P60	= P10 + P20 + P30 + P40 + P50
3	C60	= C10 + C20 + C30 + C40 + C50
4	W60	= W10 + W20 + W30 + W40 + W50
5	W60	= Section A W452

APPENDIX A-II VALIDATIONS

Ref No	Appx A-II Item No	
1	ND10	= NA10 + NB10 + NC10
2	ND20	= NA20 + NB20 + NC20
3	ND30	= NA30 + NB30 + NC30
4	ND40	= NA40 + NB40 + NC40
5	ND50	= NA50 + NB50 + NC50
6	ND60	= NA60 + NB60 + NC60
7	ND70	= NA70 + NB70 + NC70
8	ND80	= NA80 + NB80 + NC80
9	ND90	= NA90 + NB90 + NC90
10	ND100	= NA100 + NB100 + NC100
11	ND110	= NA110 + NB110 + NC110
12	ND120	= NA120 + NB120 + NC120
13	ND130	= NA130 + NB130 + NC130
14	ND140	= NA140 + NB140 + NC140
15	ND150	= NA150 + NB150 + NC150
16	ND160	= NA160 + NB160 + NC160
17	ND170	= NA170 + NB170 + NC170
18	ND180	= NA180 + NB180 + NC180
19	ND190	= NA190 + NB190 + NC190
20	ND200	= NA200 + NB200 + NC200
21	ND210	= NA210 + NB210 + NC210
22	ND220	= NA220 + NB220 + NC220
23	ND230	= NA230 + NB230 + NC230
24	ND240	= NA240 + NB240 + NC240
25	ND250	= NA250 + NB250 + NC250
26	ND260	= NA260 + NB260 + NC260
27	ND270	= NA270 + NB270 + NC270
28	ND280	= NA280 + NB280 + NC280

29	ND290	= NA290 + NB290 + NC290
30	ND300	= NA300 + NB300 + NC300
31	ND310	= NA310 + NB310 + NC310
32	ND320	= NA320 + NB320 + NC320
33	ND330	= NA330 + NB330 + NC330
34	ND340	= NA340 + NB340 + NC340
35	ND350	= NA350 + NB350 + NC350
36	ND360	= NA360 + NB360 + NC360
37	ND370	= NA370 + NB370 + NC370
38	ND380	= NA380 + NB380 + NC380
39	ND390	= NA390 + NB390 + NC390
40	ND400	= NA400 + NB400 + NC400
41	ND410	= NA410 + NB410 + NC410
42	ND420	= NA420 + NB420 + NC420
43	NA60	≤ NA10 + NA20 + NA30 + NA40
44	NB60	≤ NB10 + NB20 + NB30 + NB40
45	NC60	≤ NC10 + NC20 + NC30 + NC40
46	ND60	≤ ND10 + ND20 + ND30 + ND40
47	NA70	≤ NA50
48	NB70	≤ NB50
49	NC70	≤ NC50
50	ND70	≤ ND50
51	NA130	≤ NA80 + NA90 + NA100 + NA110
52	NB130	≤ NB80 + NB90 + NB100 + NB110
53	NC130	≤ NC80 + NC90 + NC100 + NC110
54	ND130	≤ ND80 + ND90 + ND100 + ND110
55	NA140	≤ NA120
56	NB140	≤ NB120
57	NC140	≤ NC120
58	ND140	≤ ND120
59	NA200	≤ NA150 + NA160 + NA170 + NA180
60	NB200	≤ NB150 + NB160 + NB170 + NB180
61	NC200	≤ NC150 + NC160 + NC170 + NC180
62	ND200	≤ ND150 + ND160 + ND170 + ND180
63	NA210	≤ NA190
64	NB210	≤ NB190
65	NC210	≤ NC190
66	ND210	≤ ND190
67	NA270	≤ NA220 + NA230 + NA240 + NA250
68	NB270	≤ NB220 + NB230 + NB240 + NB250
69	NC270	≤ NC220 + NC230 + NC240 + NC250

70	ND270	≤ ND220 + ND230 + ND240 + ND250
71	NA280	≤ NA260
72	NB280	≤ NB260
73	NC280	≤ NC260
74	ND280	≤ ND260
75	NA340	≤ NA290 + NA300 + NA310 + NA320
76	NB340	≤ NB290 + NB300 + NB310 + NB320
77	NC340	≤ NC290 + NC300 + NC310 + NC320
78	ND340	≤ ND290 + ND300 + ND310 + ND320
79	NA350	≤ NA330
80	NB350	≤ NB330
81	NC350	≤ NC330
82	ND350	≤ ND330
83	NA410	≤ NA360 + NA370 + NA380 + NA390
84	NB410	≤ NB360 + NB370 + NB380 + NB390
85	NC410	≤ NC360 + NC370 + NC380 + NC390
86	ND410	≤ ND360 + ND370 + ND380 + ND390
87	NA420	≤ NA400
88	NB420	≤ NB400
89	NC420	≤ NC400
90	ND420	≤ ND400
91	RD10	= RA10 + RB10 + RC10
92	RD20	= RA20 + RB20 + RC20
93	RD30	= RA30 + RB30 + RC30
94	RD40	= RA40 + RB40 + RC40
95	RD80	= RA80 + RB80 + RC80
96	RD90	= RA90 + RB90 + RC90
97	RD100	= RA100 + RB100 + RC100
98	RD110	= RA110 + RB110 + RC110
99	RD150	= RA150 + RB150 + RC150
100	RD160	= RA160 + RB160 + RC160
101	RD170	= RA170 + RB170 + RC170
102	RD180	= RA180 + RB180 + RC180
103	RD220	= RA220 + RB220 + RC220
104	RD230	= RA230 + RB230 + RC230
105	RD240	= RA240 + RB240 + RC240
106	RD250	= RA250 + RB250 + RC250
107	RD290	= RA290 + RB290 + RC290
108	RD300	= RA300 + RB300 + RC300
109	RD310	= RA310 + RB310 + RC310
110	RD320	= RA320 + RB320 + RC320

111	RD360	= RA360 + RB360 + RC360
112	RD370	= RA370 + RB370 + RC370
113	RD380	= RA380 + RB380 + RC380
114	RD390	= RA390 + RB390 + RC390
115	NA360	= NA10 + NA80 + NA150 +NA220 + NA290
116	NB360	= NB10 + NB80 + NB150 +NB220 + NB290
117	NC360	= NC10 + NC80 + NC150 +NC220 + NC290
118	ND360	= ND10 + ND80 + ND150 +ND220 + ND290
119	RA360	= RA10 + RA80 + RA150 +RA220 + RA290
120	RB360	= RB10 + RB80 + RB150 +RB220 + RB290
121	RC360	= RC10 + RC80 + RC150 +RC220 + RC290
122	RD360	= RD10 + RD80 + RD150 +RD220 + RD290
123	NA370	= NA20 + NA90 + NA160 +NA230 + NA300
124	NB370	= NB20 + NB90 + NB160 +NB230 + NB300
125	NC370	= NC20 + NC90 + NC160 +NC230 + NC300
126	ND370	= ND20 + ND90 + ND160 +ND230 + ND300
127	RA370	= RA20 + RA90 + RA160 +RA230 + RA300
128	RB370	= RB20 + RB90 + RB160 +RB230 + RB300
129	RC370	= RC20 + RC90 + RC160 +RC230 + RC300
130	RD370	= RD20 + RD90 + RD160 +RD230 + RD300
131	NA380	= NA30 + NA100 + NA170 +NA240 + NA310
132	NB380	= NB30 + NB100 + NB170 +NB240 + NB310
133	NC380	= NC30 + NC100 + NC170 +NC240 + NC310
134	ND380	= ND30 + ND100 + ND170 +ND240 + ND310
135	RA380	= RA30 + RA100 + RA170 +RA240 + RA310
136	RB380	= RB30 + RB100 + RB170 +RB240 + RB310
137	RC380	= RC30 + RC100 + RC170 +RC240 + RC310
138	RD380	= RD30 + RD100 + RD170 +RD240 + RD310
139	NA390	= NA40 + NA110 + NA180 +NA250 + NA320
140	NB390	= NB40 + NB110 + NB180 +NB250 + NB320
141	NC390	= NC40 + NC110 + NC180 +NC250 + NC320
142	ND390	= ND40 + ND110 + ND180 +ND250 + ND320
143	RA390	= RA40 + RA110 + RA180 +RA250 + RA320
144	RB390	= RB40 + RB110 + RB180 +RB250 + RB320
145	RC390	= RC40 + RC110 + RC180 +RC250 + RC320
146	RD390	= RD40 + RD110 + RD180 +RD250 + RD320
147	NA400	= NA50 + NA120 + NA190 +NA260 + NA330
148	NB400	= NB50 + NB120 + NB190 +NB260 + NB330
149	NC400	= NC50 + NC120 + NC190 +NC260 + NC330
150	ND400	= ND50 + ND120 + ND190 +ND260 + ND330
151	NA410	= NA60 + NA130 + NA200 +NA270 + NA340
152	NB410	= NB60 + NB130 + NB200 +NB270 + NB340

153	NC410	= NC60 + NC130 + NC200 +NC270 + NC340
154	ND410	= ND60 + ND130 + ND200 +ND270 + ND340
155	NA420	= NA70 + NA140 + NA210 +NA280 + NA350
156	NB420	= NB70 + NB140 + NB210 +NB280 + NB350
157	NC420	= NC70 + NC140 + NC210 +NC280 + NC350
158	ND420	= ND70 + ND140 + ND210 +ND280 + ND350

APPENDIX A-IV VALIDATIONS

Ref No	Appx A-IV Item No	
1	30	= 10 - 20
2	60	= 30 + 40 + 50
3	180	= 110 + 120 + 130 + 140 + 150 + 160 + 170
4	180 + 190	= 60 + 70 + 80 + 90 + 100
5	210	= 190 + 200
6	140 + 150	= Appendix A-V 40T **(Introduced SRN/2001/2, effective December 2001)**

APPENDIX A-V VALIDATIONS

Ref No	Appx A-V Item No	
1	80S	= 10S + 20S + 30S + 40S + 50S + 60S + 70S
2	80G	= 10G + 20G + 30G + 40G + 50G + 60G + 70G
3	80T	= 10T + 20T + 30T + 40T + 50T + 60T + 70T
4	150	= 80S
5	150	= 90 + 100 + 110 + 120 + 130 + 140
6	230	= 170 + 180 + 190 + 200 + 210 + 220
7	80S	= 150 + 230 **(Introduced SRN/2001/2, effective December 2001)**
8	160	≥ 150 **(Introduced SRN/2001/2, effective December 2001)**
9	90	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
10	100	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
11	110	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
12	120	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
13	130	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
14	140	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
15	150	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
16	160	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
17	170	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**

18	180	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
19	190	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
20	200	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
21	210	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
22	220	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**
23	230	≥ 0 **(Introduced SRN/2001/2, effective December 2001)**

SECTION A AND SECTION D - CROSS SECTION VALIDATIONS

Ref	Item Number	
1		Superseded by validation 3 (val 9), SRN/1999/1
2	A625	= if D120 = “yes” then max [(A624 - A550), 0)] else max{[max(A624 + A631 + A633 - A550), 0) - A635],0}
3	A621	≥ max[(A590-(D320+D70)*1.25%),0]

FORM BSD3 - SECTION B : TRADING BOOK FOR SOLO BANK AND LINE BY LINE CONSOLIDATED ENTITIES

INTERNAL VALIDATIONS

Ref No	Item No	
1	B10	= B10.1 + B10.2 + B10.3 + B10.4
2	B20	= B20.1 + B20.2 + B20.3 + B20.4
3	B30	= B30.1 + B30.2 + B30.3 + B30.4
4	B40	= B40.1 + B40.2 + B40.3 + B40.4
5		Superseded by validation 33 (val 10), SRN/1998/4
6	BW60	= Appendix B-II W60
7	BW70	= Appendix B-IV W50
8	BW80	= Appendix B-IV W100
9	BW90	= Appendix B-IV W150
10	B100	= B10 + B20 + B30 + B40 + B50 + B60 + B70 + B80 + B90
11	BS130	= BS130.1 + BS130.2 + BS130.3 + BS130.4 + BS130.5 + BS130.6
12	B130	= B130.1 + B130.2 + B130.3 + B130.4 + B130.5 + B130.6
13	BS140	= BS120 + BS130
14	B140	= B120 + B130
15	B150	= Appendix B-V Column 2 Capital Requirement
16	B160	= Appendix B-V Column 3 Capital Requirement
17	B170	= B170.1 + B170.2
18	B180	= B150 + B160 + B170
19	B190	= B190.1 + B190.2 + B190.3 + B190.4 + B190.5
20	B200	= Appendix B-VI Column 10 Total
21	B210	= B210.1 + B210.2
22	B220	= B190 + B200 + B210 + B215
23		Superseded by validation 34 (val 10), SRN/1998/4
24		Superseded by validation 35 (val 10), SRN/1998/4
25	B250	= B250.1 + B250.2
26	B270	= B230 + B240 + B250
27	B280	= Appendix B-VIII Column F, Total capital requirement
28	B310	= Appendix B-IX 40
29	B320	= max (B300 * B310/100, B290)
30	B340	= B320 + B330
31	B282	=B282.1 + B282.2
32	B284	=B280 + B282
33	B50	= Appendix B-I C120
34		**Superseded by validation 36 (VAL 11), SRN/2001/2**
35	B240	= 8% Appendix B-VII (Column 5 Total + Column 6 Total)
36	B230	= (8% Appendix B-VII Column 1 Total) + (4% Appendix B-VII Column 2 Total) **(from SRN/2001/2)**

APPENDIX B-I VALIDATIONS

Ref No	Appx B-I Item No	
1	C10	= Zero
2	C20	= 8% x P20
3	C30	= 50% x P30
4	C40	= 75% x P40
5	C50	= P50
6	C60	= C10 + C20 + C30 + C40 + C50
7	C70	= Zero
8		Superseded by validation 13 (val11), SRN/1998/4
9		Superseded by validation 14 (val11), SRN/1998/4
10		Superseded by validation 15 (val11), SRN/1998/4
11	C110	= C70 + C80 + C90 + C100
12	C120	= C60 +C110
13	C80	= 0.5% x P80
14	C90	= 4% x P90
15	C100	= 9% x P100

APPENDIX B-II VALIDATIONS

Ref No	Appx B-II Item No	
1	R60	= R10 + R20 + R30 + R40 + R50
2	P60	= P10 + P20 + P30 + P40 + P50
3	C60	= C10 + C20 + C30 + C40 + C50
4	W60	= W10 + W20 + W30 + W40 + W50
5	W60	= Section B (item B60) W60

APPENDIX B-III VALIDATIONS

Ref No	Appx B-III Item No	
1	ND10	= NA10 + NB10 + NC10
2	ND20	= NA20 + NB20 + NC20
3	ND30	= NA30 + NB30 + NC30
4	ND40	= NA40 + NB40 + NC40
5	ND50	= NA50 + NB50 + NC50
6	ND60	= NA60 + NB60 + NC60
7	ND70	= NA70 + NB70 + NC70

8	ND80	= NA80 + NB80 + NC80
9	ND90	= NA90 + NB90 + NC90
10	ND100	= NA100 + NB100 + NC100
11	ND110	= NA110 + NB110 + NC110
12	ND120	= NA120 + NB120 + NC120
13	ND130	= NA130 + NB130 + NC130
14	ND140	= NA140 + NB140 + NC140
15	ND150	= NA150 + NB150 + NC150
16	ND160	= NA160 + NB160 + NC160
17	ND170	= NA170 + NB170 + NC170
18	ND180	= NA180 + NB180 + NC180
19	ND190	= NA190 + NB190 + NC190
20	ND200	= NA200 + NB200 + NC200
21	ND210	= NA210 + NB210 + NC210
22	ND220	= NA220 + NB220 + NC220
23	ND230	= NA230 + NB230 + NC230
24	ND240	= NA240 + NB240 + NC240
25	ND250	= NA250 + NB250 + NC250
26	ND260	= NA260 + NB260 + NC260
27	ND270	= NA270 + NB270 + NC270
28	ND280	= NA280 + NB280 + NC280
29	ND290	= NA290 + NB290 + NC290
30	ND300	= NA300 + NB300 + NC300
31	ND310	= NA310 + NB310 + NC310
32	ND320	= NA320 + NB320 + NC320
33	ND330	= NA330 + NB330 + NC330
34	ND340	= NA340 + NB340 + NC340
35	ND350	= NA350 + NB350 + NC350
36	ND360	= NA360 + NB360 + NC360
37	ND370	= NA370 + NB370 + NC370
38	ND380	= NA380 + NB380 + NC380
39	ND390	= NA390 + NB390 + NC390
40	ND400	= NA400 + NB400 + NC400
41	ND410	= NA410 + NB410 + NC410
42	ND420	= NA420 + NB420 + NC420
43	NA60	≤ NA10 + NA20 + NA30 + NA40
44	NB60	≤ NB10 + NB20 + NB30 + NB40
45	NC60	≤ NC10 + NC20 + NC30 + NC40
46	ND60	≤ ND10 + ND20 + ND30 + ND40
47	NA70	≤ NA50
48	NB70	≤ NB50
49	NC70	≤ NC50

50	ND70	≤ ND50
51	NA130	≤ NA80 + NA90 + NA100 + NA110
52	NB130	≤ NB80 + NB90 + NB100 + NB110
53	NC130	≤ NC80 + NC90 + NC100 + NC110
54	ND130	≤ ND80 + ND90 + ND100 + ND110
55	NA140	≤ NA120
56	NB140	≤ NB120
57	NC140	≤ NC120
58	ND140	≤ ND120
59	NA200	≤ NA150 + NA160 + NA170 + NA180
60	NB200	≤ NB150 + NB160 + NB170 + NB180
61	NC200	≤ NC150 + NC160 + NC170 + NC180
62	ND200	≤ ND150 + ND160 + ND170 + ND180
63	NA210	≤ NA190
64	NB210	≤ NB190
65	NC210	≤ NC190
66	ND210	≤ ND190
67	NA270	≤ NA220 + NA230 + NA240 + NA250
68	NB270	≤ NB220 + NB230 + NB240 + NB250
69	NC270	≤ NC220 + NC230 + NC240 + NC250
70	ND270	≤ ND220 + ND230 + ND240 + ND250
71	NA280	≤ NA260
72	NB280	≤ NB260
73	NC280	≤ NC260
74	ND280	≤ ND260
75	NA340	≤ NA290 + NA300 + NA310 + NA320
76	NB340	≤ NB290 + NB300 + NB310 + NB320
77	NC340	≤ NC290 + NC300 + NC310 + NC320
78	ND340	≤ ND290 + ND300 + ND310 + ND320
79	NA350	≤ NA330
80	NB350	≤ NB330
81	NC350	≤ NC330
82	ND350	≤ ND330
83	NA410	≤ NA360 + NA370 + NA380 + NA390
84	NB410	≤ NB360 + NB370 + NB380 + NB390
85	NC410	≤ NC360 + NC370 + NC380 + NC390
86	ND410	≤ ND360 + ND370 + ND380 + ND390
87	NA420	≤ NA400
88	NB420	≤ NB400
89	NC420	≤ NC400

90	ND420	≤ ND400
91	RD10	= RA10 + RB10 + RC10
92	RD20	= RA20 + RB20 + RC20
93	RD30	= RA30 + RB30 + RC30
94	RD40	= RA40 + RB40 + RC40
95	RD80	= RA80 + RB80 + RC80
96	RD90	= RA90 + RB90 + RC90
97	RD100	= RA100 + RB100 + RC100
98	RD110	= RA110 + RB110 + RC110
99	RD150	= RA150 + RB150 + RC150
100	RD160	= RA160 + RB160 + RC160
101	RD170	= RA170 + RB170 + RC170
102	RD180	= RA180 + RB180 + RC180
103	RD220	= RA220 + RB220 + RC220
104	RD230	= RA230 + RB230 + RC230
105	RD240	= RA240 + RB240 + RC240
106	RD250	= RA250 + RB250 + RC250
107	RD290	= RA290 + RB290 + RC290
108	RD300	= RA300 + RB300 + RC300
109	RD310	= RA310 + RB310 + RC310
110	RD320	= RA320 + RB320 + RC320
111	RD360	= RA360 + RB360 + RC360
112	RD370	= RA370 + RB370 + RC370
113	RD380	= RA380 + RB380 + RC380
114	RD390	= RA390 + RB390 + RC390
115	NA360	= NA10 + NA80 + NA150 +NA220 + NA290
116	NB360	= NB10 + NB80 + NB150 +NB220 + NB290
117	NC360	= NC10 + NC80 + NC150 +NC220 + NC290
118	ND360	= ND10 + ND80 + ND150 +ND220 + ND290
119	RA360	= RA10 + RA80 + RA150 +RA220 + RA290
120	RB360	= RB10 + RB80 + RB150 +RB220 + RB290
121	RC360	= RC10 + RC80 + RC150 +RC220 + RC290
122	RD360	= RD10 + RD80 + RD150 +RD220 + RD290
123	NA370	= NA20 + NA90 + NA160 +NA230 + NA300
124	NB370	= NB20 + NB90 + NB160 +NB230 + NB300
125	NC370	= NC20 + NC90 + NC160 +NC230 + NC300
126	ND370	= ND20 + ND90 + ND160 +ND230 + ND300
127	RA370	= RA20 + RA90 + RA160 +RA230 + RA300
128	RB370	= RB20 + RB90 + RB160 +RB230 + RB300
129	RC370	= RC20 + RC90 + RC160 +RC230 + RC300
130	RD370	= RD20 + RD90 + RD160 +RD230 + RD300
131	NA380	= NA30 + NA100 + NA170 +NA240 + NA310

132	NB380	= NB30 + NB100 + NB170 +NB240 + NB310
133	NC380	= NC30 + NC100 + NC170 +NC240 + NC310
134	ND380	= ND30 + ND100 + ND170 +ND240 + ND310
135	RA380	= RA30 + RA100 + RA170 +RA240 + RA310
136	RB380	= RB30 + RB100 + RB170 +RB240 + RB310
137	RC380	= RC30 + RC100 + RC170 +RC240 + RC310
138	RD380	= RD30 + RD100 + RD170 +RD240 + RD310
139	NA390	= NA40 + NA110 + NA180 +NA250 + NA320
140	NB390	= NB40 + NB110 + NB180 +NB250 + NB320
141	NC390	= NC40 + NC110 + NC180 +NC250 + NC320
142	ND390	= ND40 + ND110 + ND180 +ND250 + ND320
143	RA390	= RA40 + RA110 + RA180 +RA250 + RA320
144	RB390	= RB40 + RB110 + RB180 +RB250 + RB320
145	RC390	= RC40 + RC110 + RC180 +RC250 + RC320
146	RD390	= RD40 + RD110 + RD180 +RD250 + RD320
147	NA400	= NA50 + NA120 + NA190 +NA260 + NA330
148	NB400	= NB50 + NB120 + NB190 +NB260 + NB330
149	NC400	= NC50 + NC120 + NC190 +NC260 + NC330
150	ND400	= ND50 + ND120 + ND190 +ND260 + ND330
151	NA410	= NA60 + NA130 + NA200 +NA270 + NA340
152	NB410	= NB60 + NB130 + NB200 +NB270 + NB340
153	NC410	= NC60 + NC130 + NC200 +NC270 + NC340
154	ND410	= ND60 + ND130 + ND200 +ND270 + ND340
155	NA420	= NA70 + NA140 + NA210 +NA280 + NA350
156	NB420	= NB70 + NB140 + NB210 +NB280 + NB350
157	NC420	= NC70 + NC140 + NC210 +NC280 + NC350
158	ND420	= ND70 + ND140 + ND210 +ND280 + ND350

APPENDIX B-IV VALIDATIONS

Ref No	Appx B-IV Item No	
1	A10	= R10 + P10
2	W10	= Zero
4	A20	= R20 + P20
5	W20	= 10% x (R20 + P20)
6	A30	= R30 + P30
7	W30	= 20% x (R30 + P30)
8	A40	= R40 + P40
9	W40	= R40 + P40
10	W50	= W10 + W20 + W30 + W40
12	A60	= S60 - C60
13	W60	= Zero
14	A70	= S70 - C70
15	W70	= 10% x (S70 - C70)
16	A80	= S80 - C80
17	W80	= 20% x (S80 - C80)
18	A90	= S90 - C90
19	W90	= S90 - C90
20	W100	= W60 + W70 + W80 + W90
21	A110	= C110 - S110
22	W110	= Zero
23	A120	= C120 - S120
24	W120	= 10% x (C120 - S120)
25	A130	= C130 - S130
26	W130	= 20% x (C130 - S130)
27	A140	= C140 - S140
28	W140	= C140 - S140
29	W150	= W110 + W120 + W130 + W140

APPENDIX B-V VALIDATIONS

Ref No	Appx B-V Item No	
1	Column 1	= Column 2 + Column 3
2	NSOP Column 1	0
3	NSOP Column 2	= higher of the sum of the negatives or the sum of the positives (if equal defaults to positive)
4	NSOP Column 3	= higher of the sum of the negatives or sum of the positives (if equal defaults to positive)
5	SUMG Column 1	0
6	SUMG Column 2	sum of the absolute values of gold
7	SUMG Column 3	sum of the absolute values of gold
8	CAPR Column 1	Zero
9	CAPR Column 2	8% of absolute value of NSOP in Column 2 plus SUMG in Column 2
10	CAPR Column 3	≥ 2% of absolute value of NSOP in Column 3 plus SUMG in Column 3

APPENDIX B-VI VALIDATIONS

Ref No	Appx B-VI Item No	
1	Column 10	= Column 7 + Column 8 + Column 9

APPENDIX B-VII VALIDATIONS

Ref No	Appx B-VII Item No	
1	Column 4	= Column 1 + Column 2 + Column 3
2	Column 7	= Column 5 + Column 6

APPENDIX B-VIII VALIDATIONS

Ref No	Appx B-VIII Item No	
1	10 Column C	= 10 Column A + 10 Column B
2	20 Column C	= 20 Column A + 20 Column B
3	30 Column C	= 30 Column A + 30 Column B
4	40 Column C	= 40 Column A + 40 Column B
5	10 Column F	= 10 Column D + 10 Column E
6	20 Column F	= 20 Column D + 20 Column E
7	30 Column F	= 30 Column D + 30 Column E
8	40 Column F	= 40 Column D + 40 Column E
9	50 Column F	= 10 Column F + 20 Column F + 30 Column F + 40 Column F

APPENDIX B-IX VALIDATIONS

Ref No	Appx B-IX Item No	
1	30	= {0 if 20 $\leq$ 4; 0.4*100 if 20 = 5; 0.5*100 if 20 = 6; 0.65*100 if 20 = 7; 0.75*100 if 20 = 8; 0.85*100 if 20 =9; 1*100 if 20 $\geq$ 10}
2	40	= 10 + 30

FORM BSD3 - SECTION C : CONSOLIDATION VIA AGGREGATION PLUS

INTERNAL VALIDATIONS

Ref No	Item Number	
1	C10.1 column D	= (C10.1 column C / C10.1 column B)*10000
2	C10.2 column D	= (C10.2 column C / C10.2 column B)*10000
3	C10.3 column D	= (C10.3 column C / C10.3 column B)*10000
4	C10.4 column D	= (C10.4 column C / C10.4 column B)*10000
5	C10.5 column D	= (C10.5 column C / C10.5 column B)*10000
6	C10.6 column D	= (C10.6 column C / C10.6 column B)*10000
7	C10.7 column D	= (C10.7 column C / C10.7 column B)*10000
8	C10.8 column D	= (C10.8 column C / C10.8 column B)*10000
9	C10.9 column D	= (C10.9 column C / C10.9 column B)*10000
10	C10.10 column D	= (C10.10 column C / C10.10 column B)*10000
11	C10.11 column D	= (C10.11 column C / C10.11 column B)*10000
12	C10.12 column D	= (C10.12 column C / C10.12 column B)*10000
13	C10.13 column D	= (C10.13 column C / C10.13 column B)*10000
14	C10.14 column D	= (C10.14 column C / C10.14 column B)*10000
15	C20.1 column D	= (C20.1 column C / D20.1 column B)*10000
16	C20.2 column D	= (C20.2 column C / D20.2 column B)*10000
17	C20.3 column D	= (C20.3 column C / C20.3 column B)*10000
18	C20.4 column D	= (C20.4 column C / C20.4 column B)*10000
19	C20.5 column D	= (C20.5 column C / C20.5 column B)*10000
20	C20.6 column D	= (C20.6 column C / C20.6 column B)*10000
21	C20.7 column D	= (C20.7 column C / C20.7 column B)*10000
22	C20.8 column D	= (C20.8 column C / C20.8 column B)*10000
23	C20.9 column D	= (C20.9 column C / C20.9 column B)*10000
24	C20.10 column D	= (C20.10 column C / C20.10 column B)*10000
25	C20.11 column D	= (C20.11 column C / C20.11 column B)*10000
26	C20.12 column D	= (C20.12 column C / C20.12 column B)*10000
27	C20.13 column D	= (C20.13 column C / C20.13 column B)*10000
28	C20.14 column D	= (C20.14 column C / C20.14 column B)*10000
29	C30 column C	= C10 column C + C20 column C
30	C30 column C	= C30 column F + C30 column G + C30 column H + C30 column J
31	C30 column D	= C10 column D + C20 column D
32	C30 column E	= C10 column E + C20 column E
33	C30 column F	= C10 column F + C20 column F

34	C30 column G	= C10 column G + C20 column G
35	C30 column H	= C10 column H + C20 column H
36	C30 column J	= C10 column J + C20 column J
37	C30 column L	= C10 column L + C20 column L

SECTION C AND SECTION D - CROSS SECTION VALIDATIONS

Ref No	Item Number	
1	Column L	= max [column A * column C * (D150/column B), Column C]

FORM BSD3 - SECTION D : CAPITAL ADEQUACY SUMMARY

INTERNAL VALIDATIONS

Ref No	Item Number	
1	D40	= D10 + D20 + D30
2	D70	= D70.1 + D70.2 + D70.3 + D70.4 + D70.5 + D70.6
3	D80	= (D70 * D50)/10000
4	D90	≥ D110 * 50%
5	D90	= D80 - D100
6	D100	= IF(D110/2 ≥ D20, D20, D110/2)
7	D110	= D90 + D100
8	D110	= D80
9	D220	= D160 + D170 + D180 + D190 + D200 + D210
10	D250	= D230 + D240
11	D300	= D260 + D270 + D280 + D290
12	D310	= D220 + D250 + D300
13	D330	≥ 0.5 * (D340 + D350)
14	D330	≥ D310 / 3
15		Superseded by validation 34 (val 21), SRN/1998/4
16		Superseded by validation 35 (val 21), SRN/1998/4
17	D340	≤ D330 * 2
18		Superseded by validation 36 (val 21), SRN/1998/4
19	D350	≤ D30
20	D350	≤ D170 + D180 + D190 + D200 + D210 + D250 + D260 + D280
21	D360	= + D330 + D340 + D350
22	D360	= D310
23	D370	= D10 - D90 - D330
24	D380	= D20- D100 - D340
25	D390	= D370 + D380
26	D390	≥ D470
27	D470	= D400 + D410 + D420 + D430 + D440 + D450 + D460
28	D480	= D40- D470
29	D490	= D10 + D20 + D350 - D470
30	D500	= D80 + D310
31	D510	= D70 + D320
32	D520	= round [(D490 * 100) / D510, 2] * 100
33	D530	= round[(D490 *100) / D500, 2] * 100

34	D330	≤ D10 - D90
35	D340	≤ D20 - D100
36	D340	≤ D310 – (D330 + D350)

SECTION D AND SECTION A - CROSS SECTION VALIDATIONS

Ref	Item Number	
1	D10	= A550
2	D20	= A630
3	D30	= A638
4	D70.2	= 10% [AB40.2 + AB50.2 + AB60.2 + AB70.2 + AB80.2 + AB100.2 + ANL120.2 + AB130.1 + AB140.1 + AB150.1 + AB180.1 + AB260.2 - AB280.2 + absolute value of AB320.2 + AB340.2 + (AB350.2/2) + (AB360.2/5) + AB370.2 + AB380.2 + AB390.2 + AB400.2 + AB410.2 + (AB420.2/2) + (AB440.3/2)]
5	D70.3	= 20% [AB30 + AB40.3 + AB50.3 + AB60.3 + AB70.3 + AB80.3 + AB100.3 + ANL120.3 + AB130.2 + AB140.2 + AB150.2 + AB180.2 + AB240.2 + AB260.3 - AB280.3 + absolute value of AB320.3 + AB340.3 + (AB350.3/2) + (AB360.3/5) + AB370.3 + AB380.3 + AB390.3 + AB400.3 + AB410.3 + (AB420.3/2) + AB430.2 + (AB440.4/2)]
6	D70.4	= 50% [AB40.4 + AB90 + AB150.3 - AB280.4 + AB340.4 + (AB350.4/2) + (AB360.4/5) + AB370.4 + AB380.4 + AB390.4 + (AB440.5/2)]
7	D70.5	= 100% [AB40.5 + AB50.4 + AB60.4 + AB70.4 + AB80.4 + AB100.4 + AB110 + ANL120.4 + AB130.3 + AB140.3 + AB150.4 + AB172 + AB180.3 + AB190 + +AB210.1 + AB220 + AB230 + AB240.3 + AB250 + AB260.4 - AB280.5 + absolute value of AB320.4 + AB340.5 + AB340.7 + (AB350.5/2) + (AB350.6/2) + (AB360.5/5) + (AB360.6/5) + AB370.5 + AB370.7 + AB380.5 + AB380.7 + AB390.5 + AB390.7 + AB400.4 + AB400.5 + AB410.4 + AB410.6 + (AB420.4/2) + (AB420.5/2) + AB430.3 + AB430.4 + (AB440.6/2) + (AB440.8/2) + AW462]
8	D70.6	= AW452 + AW472 + AW474
9	D400	= AT160 + AB160
10	D410	= AT280 + AB280
11	D420	≥ (AT340.6 + AT370.6 + +AT380.6 + AT390.6 + AT410.5 + AT440.7 + AB340.6 + AB370.6 + +AB380.6 + AB390.6 + AB410.5 + AB440.7)
12	D430	= AT171 + AB171
13		Superseded by validation 14 (val 22), SRN/1998/4
14	D440	= AB180.4

SECTION D AND SECTION B - CROSS SECTION VALIDATIONS

Ref No	Item Number	
1	D160	= B100 * 12.5 * D140/10000
2	D170	= B140 * 12.5 * D140/10000
3	D180	= B180 * 12.5 * D140/10000
4	D190	= B220 * 12.5 * D140/10000
5	D200	= B270 * 12.5 * D140/10000
6	D210	= B284 * 12.5 * D140/10000
7	D230	= B320 * 12.5 * D140/10000
8	D240	= B330 * 12.5 * D140/10000

SECTION D AND SECTION C - CROSS SECTION VALIDATIONS

Ref No	Item Number	
1	D260	= C30 column F
2	D270	= C30 column G
3	D280	= C30 column H
4	D290	= C30 column J
5	D300	= C30 column C
6	D320	= [(D220 + D250)/D140] * 10000 + C30 column D
7		Superseded by validation 8 (val 23), SRN/1998/5
8	D540	= round{(D490 * 100) / [(D70 * D60/10000) + (D150 / D140) * (D220 + D250) + C30 column L],2} *100

CROSS FORM VALIDATIONS : FORM M1 AND FORM BSD3

Ref no	BSD items	M1 items
1		Removed, SRN/1998/5
2	AB180.4	= 180
3		Removed, SRN/1998/5
4		Removed, SRN/1998/5
5		Superseded by validation 8 (val 24), SRN/1998/4
6		Removed, SRN/1998/5
7	AT172	= 130
8		Removed, SRN/1998/5

CROSS FORM VALIDATIONS : FORM LE2 AND FORM BSD3

Ref no	BSD items	LE2 items
1	Appendix A-V 80S	$\geq \sum A4+\sum B4+\sum C4+\sum D4+\sum E4+\sum FB4$ (SRN/1998/5)

Large Exposures (Form LE2)

Introduction

Form LE2 should be completed quarterly by UK banks only, as defined in the Handbook Glossary of Definitions. These notes should be read in conjunction with all relevant chapters set out in the Financial Services Authority Banking Supervisory Policy Guide or the Interim Prudential Sourcebook for Banks (and the Supervisory Guidance Notes (SGN) in this folder) in force at the date to which the form relates. There are a number of ways in which the Financial Services Authority (FSA) may seek additional information to be reported by the reporting bank either regularly or in respect of certain reporting dates only.

For convenience, these reporting instructions will refer to the FSA Banking Supervisory Policy Guide as 'FSA Policy Guide' and the Interim Prudential Sourcebook for Banks as 'IPRU (BANK)'.

Denomination of Reported Exposures

Exposures should be reported in £000s but a different currency denomination may be agreed in writing with the FSA. Claims, loans and advances, whether denominated in currencies other than sterling, gold and other precious metals or other commodity units should be translated into sterling at the closing middle market spot rate for the day of the report. Where the maximum exposure during a reporting period is required to be reported, the closing middle market spot rate for the day on which the maximum exposure occurs should be used.

Exposure Limits and Concessions

Prior agreement should be obtained from the FSA before an exposure is entered into which exceeds 25% of LECB. Such agreement may be obtained for: (1) exempt exposures eg interbank exposures with a maturity of one year or less; (2) exposures covered by collateral[1]; (3) exposures covered by guarantees[2]; (4) exposures within the scope of a connected exposure concession; (5) exposures covered by a 1-3 year derivative concession; or (6) exposures subject to soft limits. The written prior agreement of the FSA should be obtained before any exposures falling into any of the aformentioned categories are entered in the appropriate columns.

An exposure

See SGN9. For the purpose of reporting large exposures on both an unconsolidated/solo-consolidated and consolidated basis, an exposure should be measured as the amount at risk arising from the aggregate of the reporting bank's business, whether conducted on or off-balance sheet[3].

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[1] Only cash and Zone A central government and central bank securities should be regarded as eligible collateral.

[2] Either parental or third party guarantees.

[3] **NOTE : Exposures entered into by a bank as a trustee are excluded from the scope of the large exposures return.**

A counterparty

See SGN11 to SGN13 and SGN19 to SGN23.

References to banks hereafter in these reporting instructions are intended to include banks, building societies and recognised investment firms (as defined in SGN20), as well as recognised clearing houses and recognised exchanges (these being listed in Chapter BC (Credit risk in the banking book), Section 5, of the FSA Policy Guide/IPRU (BANK)).

The identity of a counterparty will generally be one of the following:

(i) the borrower (customer);

(ii) the person guaranteed (where the reporting bank is providing such guarantee);

(iii) in the case of a security held, the issuer of a security;

(iv) or in the case of a derivatives contract the party with whom the contract was made.

In some circumstances, it may be uncertain which of two counterparties is the primary obligor (eg on a bill where there is a claim on both the drawer and the acceptor). When in doubt, the reporting bank should either report the exposure twice, as an exposure to each counterparty, or ask the FSA for its view. However, in the case of:-

(a) bills held which have been accepted by a bank (other than the reporting bank), the claim should be reported as a claim on a bank;

(b) per aval endorsements on the bills held by the reporting bank, the claim should be reported as a claim of over one year maturity on the avalising bank;

(c) transactions where a third party has provided an explicit unconditional irrevocable guarantee, may be reported as an exposure to the guarantor. Banks should seek the FSA's agreement to their reporting in this way. In agreeing this, the FSA would expect banks to include a section on guaranteed exposures in their large exposures policy statement. In particular, the FSA would expect a consistent approach to be adopted in the reporting of such exposures. The FSA does not expect banks to report exposures to guarantors without having first approved the credit risk on the guarantor and the type of the exposure under the bank's normal credit approval procedures. In the case of bills issued by Westminster Council on behalf of London boroughs (within the terms of S.35 of the Greater London (General Powers) Act 1969) the exposures should be reported as an exposure to Westminster Council; and

(d) banks should exercise care in identifying the entity with whom they have entered into a contract. For example, where the reporting institution funds the activities of a company that trades on an exchange, whether for that company's own account or on behalf of clients, the full amount of such funding should be reported as an exposure to that company. An alternative reporting method may however be agreed with the FSA in writing.

Coverage

Form LE2 should be completed both on an unconsolidated/solo-consolidated basis and, where relevant, a consolidated basis:-

(a) Exposures arising in all of the bank's branches (including overseas branches) and any subsidiaries which are included for the purpose of the bank's 'solo' (unconsolidated) capital ratio should be reported in Form LE2 completed on an unconsolidated/solo-consolidated basis. Where subsidiaries are included, this should be agreed in writing with the FSA.

(b) Exposures in companies reported under (a) above, together with exposures arising in group companies which are included for the purpose of the bank's consolidated reporting, should be reported on Form LE2 on a consolidated basis. Where such group companies are included, this should be agreed in writing with the FSA.

Important: All companies subject to consolidation should be included in a reporting bank's consolidated large exposures return regardless of the technique used for consolidation on the Form BSD3. The scope of a bank's solo and consolidated supervisory returns should be determined by the principles set out in Chapter CS (Consolidated supervision) of the FSA Policy Guide/IPRU (BANK). Whether there are such companies to be included should be agreed in writing with the FSA.

Large Exposures Capital Base (LECB)

The capital base used as the basis for monitoring and controlling large exposures should be calculated in the same way as that used for capital adequacy monitoring ie the sum of allowable Tier 1 and Tier 2 capital less any deductions. The LECB should be agreed in writing with the FSA on an annual basis and reported on the front of Form LE2. Where holdings of tradeable securities subject to soft limits have been agreed with the FSA, an adjusted capital base incorporating Tier 3 capital may be used to measure exposures against. This adjusted capital base should be reported in Part 5.

Netting

The circumstances in which net exposures are considered appropriate for LE2 purposes are set out below.

1 On balance sheet

(a) credit balances should not be offset against debit balances unless the provisions set out in Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) are met.

Note: Back-to-backs allowed to be netted out on returns made to the Bank of England for statistical purposes should not be netted out in calculating the size of an exposure for LE2 purposes.

(b) where a repo/reverse repo or similar transaction is involved, this should be consistent with Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK). Netting of claims and obligations arising from all repos/reverse repos held in the trading book will then be considered acceptable.

However, note that in the banking book netting of counterparty risk will not generally be considered acceptable because:

(i) repos should attract issuer risk on the securities repoed out;

(ii) reverse repos where eligible collateral[4] is reversed in should attract issuer risk on that eligible collateral.

As there is no counterparty risk reportable in the above circumstances it follows that there are no claims capable of being netted.

The only circumstances in which counterparty risk will arise is when a reverse repo is undertaken where the collateral reversed in is ineligible. Such reverse repos should be reported as if an unsecured cash loan had been made to the counterparty to the reverse repo. It is acceptable for such counterparty risk to be reported net of obligations to the same counterparty arising from:

(i) other reverse repo business where eligible collateral has been taken, with the same counterparty and only to the extent that the value of the collateral taken is in excess of the cash paid away;

(ii) on repos with the same counterparty and similarly only to the extent that the cash reversed in exceeds the value of the securities repoed.

Reporting banks wishing to net counterparty risk arising from repo business in the banking book should first contact their line supervisors. The FSA would consider that it was appropriate to report on this basis where the bank's systems were adequate for this purpose.

Risk cushion factors, when applicable, should be reported gross. The residual maturity of the securities should be used to calculate the risk cushion factor (not the maturity of the repo transaction). Where both legs of the transaction involve securities, the risk cushion factor should be calculated using the maturity of the longer dated securities.

2 <u>Off balance sheet netting</u>

Amounts due in respect of foreign exchange, interest rate, equity and commodity related transactions may be reported net if the net amount derived is pursuant to the application of a bilateral agreement (between two counterparties) based upon netting by <u>novation</u> (see SGN26).

[4] For these purposes eligible collateral is restricted to Zone A central government and central bank securities.

To benefit from close-out netting, the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) should be met; if they are, then the credit equivalent amount of a bank's portfolio of contracts with each counterparty should be obtained by adding together:

(a) the net replacement cost of all nettable contracts with a positive mark to market value offset by all contracts with a negative mark to market value;

(b) for each contract in the portfolio the amount for the potential future credit exposure (add-on) as described elsewhere.

NOTE: For these purposes, the maturity of the net replacement cost should be taken as ≤1 year if there is at least one ≤1 year obligation included under the netting agreement. In such circumstances reporting of net current exposure to banks may only be reported in Part 3(i) of the Form.

If there are no ≤1 year obligations but there exist obligations of >1 year but ≤3 years then the maturity of the net replacement cost figure should be taken to fall between 1 and 3 years also.

The netting of add-ons is considered acceptable where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met (see SGN35). However, where the potential future exposures (add-ons) cannot be netted, these should be calculated and reported according to the residual maturity of the contract (ie add-ons relating to >1 year contracts should be reported gross in either Part 3(i) or 3(ii)).

When dealing with a counterparty incorporated in a netting friendly jurisdiction but which has subsidiaries or branches located in netting unfriendly jurisdictions, transactions with those subsidiaries and branches should continue to be reported gross. Thus the aggregate exposure to such a counterparty will be a mixture of net and gross exposures.

The Amount at Risk

For exposures arising in the banking book the amount at risk should, with certain exceptions detailed below (or otherwise advised to the reporting bank), be reported as the book value of the reporting bank's actual or potential claims, contingent liabilities or assets.

Exposures should be calculated in accordance with UK generally accepted accounting practice. In certain cases the reporting bank may wish to adopt an alternative accounting practice. Such cases should be discussed with the FSA in order to determine whether reports are acceptable on that basis. The accounting practice adopted for the reporting of exposures should, unless otherwise stated below, be consistent with that used for the calculation of the reporting bank's capital base.

For exposures arising in the trading book, all positions should be marked-to-market daily. (However, if for cash items with a residual maturity of one month or less the bank wishes not to do this, it should seek the prior approval of the FSA in writing.) Where a market determined price is not readily available, the reporting bank may generate its own mark-to-market valuation. Positions should be valued in accordance with the procedures outlined in the trading book policy statement agreed with the FSA.

Interest and Dividends

The value of outstanding claims should include interest and dividends due but not yet received if such amounts are reflected in the reporting bank's capital base. However, in recognising the systems difficulties of reporting inclusive of such amounts, the FSA may agree, in writing, for the following treatment to be applied to exposures in the Banking Book. Provided the exposure is well below 25% of LECB, or a pre-agreed limit, there is no need for the bank to include the accrued interest element in the reported figure. If an exposure is close to the 25% level, or a pre-agreed limit, then the bank should be able to demonstrate that the exposure, inclusive of the accrued interest element, is below the limit and to guarantee that the limit is not breached. This treatment should not be adopted for Trading Book exposures. Since these exposures are marked to market daily, the accrued interest element is included in the mark to market valuation. (Unearned finance charges in relation to instalment lending should be excluded.)

Securities Positions and Positions Arising from Derivative Contracts

(i) <u>Issuer risk</u>

Where a bank deals in securities the exposure (to the issuer of the security) should be calculated as follows:

(a) Banking Book - the sum of the excess, where positive, of the book value of all long positions over all short positions, (ie the net long position), for each instrument issued by the issuer. A long position in one security issue should not be offset by a short position in another security issue made by the same issuer except for securities issued by central governments and central banks.

Netting of long and short positions may be adopted for securities issued by central governments and central banks, where the criteria set out in SGN27 are all met.

(b) Trading Book - the excess of the current market value of all long positions over all short positions for each instrument issued by the counterparty should first be calculated. The exposure is then calculated as the excess, where positive, of the current market value of all long positions over all short positions in **all** the financial instruments issued by the counterparty. (Positions should not be netted within groups of closely related counterparties.)

Positions should not be netted between banking and trading books.

<u>Forward Transactions</u>

For both Banking and Trading Book calculations, commitments to buy securities at a future date (including futures contracts) should be included as long positions and forward sales as short positions. Where a bank has made a commitment to an issuer under a note issuance facility to purchase, at the request of the issuer, securities which are unsold on the issue date, these should be added to the long positions. (Note issuance facilities include revolving underwriting facilities, Euronote facilities and any similar arrangements.) A net short position does not give rise to an exposure covered by this return.

Options Positions

The following treatment should be given to options:

(a) on securities

(i) Written Put - long position in the underlying security.

(ii) Purchased Put - short position in the underlying security

(iii) Purchased Call (where the contract has been given a book value in the accounts of the reporting institution) - long position in the underlying security.

(iv) Written Calls - do not give rise to an exposure covered by this return.

(b) on an index

(i) Broadly based and cash settled indices - there is no requirement for these indices to be broken down into their constituent elements. The highly liquid equity indices listed in Chapter LE (Large exposures), Section 12, of the FSA Policy Guide/IPRU (BANK) may be regarded as broadly based.

(ii) Narrowly based/non-cash settled indices - these indices should be decomposed into their component stocks in order to calculate the issuer risk on the underlying.

In order to calculate the amount to be included in the issuer risk calculation, the notional principal valued at the strike price should be used.

Repos/Reverse Repos

(a) Banking Book - For repos in the banking book the security sold should be included as a long position. Reverse repos should be treated as loans unless eligible collateral is held (ie Zone A government securities and cash) in which case they should be regarded as collateralised loans and the collateral held included as a long position. (The forward leg should not be included as a short position.) Where collateral is ineligible the counterparty risk on the cash loan should be reported in full.

(b) Trading Book - For both repos and reverse repos in the trading book include outgoing security if the reporting bank is the ultimate owner. In addition the counterparty risk on both repos and reverse repos should be reported (see below Counterparty Risk - Repos/Reverse Repos).

For stock lending transactions the same reporting treatment as in respect of repos apply and those in respect of reverse repos should be adopted for stock borrowing.

Underwriting commitments

This covers discrete issues of securities (equities and bonds) only. The treatment for underwriting set out here does not extend to any commitment of a continuing or revolving nature. The exposure arising from other underwriting commitments should be taken to be the full amount of the sum underwritten.

There are two distinct phases in the reporting of underwriting commitments in respect of securities issues: (i) date of initial commitment until Working Day Zero and (ii) Working Day Zero onwards. (Date of initial commitment and working day zero are defined in Chapter TU (Underwriting in capital adequacy framework) of the FSA Policy Guide/IPRU (BANK).)

(i) Date of initial commitment until working day zero - for both non-expert and expert underwriters notification should be on the basis of a credit equivalent amount (CEA). Amounts sub-underwritten or sold forward should only be offset against the underwriting commitment when calculating the CEA when such commitments are received prior to the reporting institution committing to the client. The CEA should be calculated (on the basis of the net amount where applicable) using the credit conversion factors set out in the following table:

	Implied Conversion Factor	Post-notify (10%) (1)	Pre-notify (25%) (2)	Maximum "expert" guideline (3)
All debt instruments	18.75%	53%	133%	400%
Preference share, constituents of the FT-SE 100 index, and related convertibles, US S&P 500, Japan Nikkei 225	23%	44%	108%	325%
Constituents of FT All-share index & related convertibles; other major non-UK equities	30%	34%	83%	250%
Other equities with a normal market size and other second tier non-equities	43%	24%	58%	175%
Other UK and non-UK equities and related convertibles	75%	14%	33%	100%

(1) The nominal amount (expressed as a percentage of capital) which corresponds to the post-notification threshold when converted into credit equivalent terms.

(2) The nominal amount (expressed as a percentage of capital) which corresponds to the post-notification threshold when converted into credit equivalent terms.

(3) The lower of 400% nominal or three times the pre-notification trigger. (The latter applies in all cases other than debt underwriting.)

(ii) Working Day Zero Onwards - post working day zero exposures for both experts and non-experts are calculated on the same basis. The measure of exposure is based upon the net underwriting position (= gross underwriting commitment + purchases - sales - sub-underwritings) multiplied by a discount factor. Discount factors should be applied as follows:

Working Day 0	100%
Working Day 1	90%
Working Day 2	75%
Working Day 3	75%
Working Day 4	50%
Working Day 5	25%
after Working Day 5	0%

The amount to be reported = the net underwriting position x (100% - discount factor). This net exposure should be aggregated with other exposures to the issuer. Holdings of securities as a result of an underwriting commitment are also eligible for soft limits as set out below.

(ii) Counterparty risk

Forward Transactions

Forward sales and purchases of securities in both the banking and trading books give rise to a counterparty exposure. When receiving securities in exchange for cash or securities the reporting bank should report the higher of:

(i) zero plus an add-on for potential future exposure; or

(ii) the difference between the market value of the securities to be received and the contracted value for forward delivery plus an add-on for potential future exposure.

When receiving cash or securities in exchange for securities, the reporting bank should report the higher of:

(i) zero plus an add-on for potential future exposure; or

(ii) the difference between the contracted value for forward delivery and the market value of the securities to be delivered plus an add-on.

The amounts to be received or given should include all cash flows related to the securities and the transactions.

The add-on should be calculated in accordance with the risk cushion factors set out in Chapter TC (Counterparty risk in the trading book), Section 3.3.3, of the FSA Policy Guide/IPRU (BANK).

In addition to these types of exposure, where compensation is due to be paid in the future in exchange for a contract, the current market value of the payment due should be reported.

Settlement of transactions

(a) Free Deliveries

An immediate exposure arises where the reporting bank has settled its side of the transaction but not yet received the countervalue ie final funds or an undertaking to effect transfer of funds by close of business on the same business day. Where the reporting institution has provided the cash the current market value of the asset being purchased should be reported for trading book exposures, and the book value for banking book exposures. Where the reporting institution has the asset the cash due should be reported for both banking and trading book exposures. (Where the transaction is effected across a national border there is a window of one working day.)

(b) Unsettled Securities Transactions

In both the banking and trading books, claims on a counterparty arising in the course of settlement of a securities transaction where neither the reporting institution nor the counterparty have settled their side of the transaction should be reported where settlement is 5 days overdue. The exposure should be calculated as the difference between the amount due and the current market value of the instrument.

Repos/Reverse Repos

For repos/reverse repos in the trading book the exposure to the counterparty should be calculated as the mark-to-market differential between the collateral provided by the reporting bank and that received from the counterparty. In the case of undocumented repos, an add-on for potential future exposure should be included in accordance with the risk cushion factors set out in Chapter TC (Counterparty risk in the trading book), Section 3.3.3, of the FSA Policy Guide/IPRU (BANK).

Interest Rate, Foreign Exchange Rate, Equity and Commodity Related Contracts

For exposures relating to over-the-counter interest rate (OTC), foreign exchange rate, equity and commodities contracts the amount at risk for the reporting of large exposures may be less than the nominal exposure. These exposures should be reported and aggregated with other exposures to the same counterparty.

Interest rate related contracts: single currency interest rate swaps, basis swaps, forward rate agreements and products with similar characteristics, interest rate options purchased (including caps, collars and floors purchased as stand-alone contracts) and similar instruments should be reported as interest rate related contracts. Contracts of a similar nature concerning bonds should also be included in this category.

Foreign exchange rate related contracts: cross currency swaps, cross currency interest rate swaps, forward foreign exchange contracts, currency options purchased and similar instruments should be reported as foreign exchange related contracts. Contracts of a similar nature concerning gold should also be included in this category.

Equity and Commodities Contracts: Equity options purchased, swaps and similar contracts, commodity options purchased, swaps and similar instruments involving physical commodities.

The amount at risk should be calculated as the credit equivalent amount (CEA) of these items which should be arrived at by the replacement cost method. For Banking Book transactions, this should be consistent with reporting on Form BSD3. For Trading Book exposures, valuations should be made in line with the valuation procedures outlined in the Trading Book Policy Statement which should be agreed with the FSA.

***Note**: No CEA should be reported for either contracts traded on exchanges where they are subject to daily margining requirements or for OTC foreign exchange contracts (except contracts concerning gold) with an original maturity of 14 calendar days or less. When trading on an exchange with daily margining requirements, credit exposure only arises in respect of initial margin and excess variation margin payments. These exposures should be reported as on-balance sheet exposures to the exchange (or its associated clearing house).*

Mark-to-market amount

Reporting banks should mark-to-market in a prudent and consistent manner. See SGN34 for further guidance.

Notional principal amount

For exchange rate contracts and bond options, the notional principal amount should be taken as the amount of principal underlying the contract, as regards the asset (currency, equity, bond or commodity) being received by the reporting bank, translated into sterling at the spot exchange rate on the reporting date.

For an amortising swap, ie one based on a steadily declining notional principal, the notional principal should be taken as the amount outstanding at the reporting date.

For a swap based on a fluctuating level of principal, the notional principal should be taken as the maximum notional principal outstanding over the remaining life of the swap.

For amortising interest rate swaps with cash-flow mismatches in payments, the notional principal may differ between the two sides of the swap. The notional principal amount should be taken as the amount of principal underlying the contract as regards the asset being received by the reporting bank.

For swaps involving reference assets, the notional principal should relate to the total volume over the whole contract (not simply the volume per settlement period).

For options purchased, the notional principal should be taken as the underlying principal on the option, using for currency options, the received currency at the spot rate on the reporting date.

For contracts with multiple exchanges of principal the potential future exposure should be multiplied by the number of payments still to be made under the contract.

Banks should not generally enter into contracts at off market prices. If any contracts are undertaken at off market prices banks should contact their line supervisor to discuss the background and to agree a reporting treatment. Where swaps are arranged at off-market rates or where options begin deep in the money, contracts may include an element of "disguised" credit exposure. In general, the FSA would consider a disguised credit exposure to be present where the contract either starts with a significantly positive mark to market, or because of an assumption of unchanged interest and exchange rates. In the case of interest rate or cross currency swaps arranged at off-market prices, the FSA will require special treatment for contracts which have been created in order to disguise a credit exposure to the counterparty. Such cases should be discussed with the FSA.

Remaining maturity

The remaining maturity of a swap should be taken as the time until the final expiry of the swap. For FRAs and similar products, the remaining maturity should be taken as the time from the reporting date until the end of the period to which the interest rate underlying the contract relates (see SGN34 for more detail generally).

For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the mark to market value of the contract is zero on these specified dates, the residual maturity should be set equal to the time until the next reset date. However, in the case of interest rate contracts with a residual maturity of more than one year, the potential future exposure matrix multiplier may be subject to a floor of 0.5% even if there are reset dates of a shorter duration.

Replacement cost methodology

The credit equivalent amount should be calculated in accordance with the reporting instructions set out in SGN34.

Reportable Exposures

Exposures to the following categories of counterparties should be reported separately:-

(i) An individual non-banks counterparty

(ii) Closely related counterparties

(iii) A connected counterparty

(iv) A bank, building society, recognised investment firm, recognised clearing house or recognised exchange

(v) A central government

(vi) Zone A/Zone B countries

Exposure to individual, or groups of closely related, counterparties should be reported in columns 2 and 3 in each category of counterparty in descending order by size. Exposures to individual counterparties which constitute a group of closely related counterparties (see SGN12) should be reported as one exposure.

Where reporting is on a gross basis, the exposure at the reporting date should be included in column 2(a) and the maximum during the period in 2(b). Where the terms outlined in Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) are met, such that reporting is on a net basis, the exposure at the reporting date should be included in column 3(a) and the maximum during the period in 3(b).

Exposure Categories

PART 1

Exposures to individual non-bank counterparties and groups of closely related non-bank counterparties should be reported in this section**.** Exposures to international organisations (including multilateral development banks and the Bank for International Settlements (BIS)) should be included here.

The 20 largest exposures should be listed (unless a lower number has been agreed by the reporting bank with the FSA) and any other exposure which exceeds 10% (unless a lower % has been agreed with the FSA) of the reporting bank's capital base.

PART 2

This includes exposures to individual non-bank counterparties and groups of closely related non-bank counterparties which are connected to the reporting bank should be reported in Part 2(i). Exposures to banks connected to the reporting bank should be included in Part 2(ii). Any amounts exempt under a connected exposure "concession", agreed in writing with the FSA, should be reported in column (7).

PART 3

This covers exposures to banks, building societies, recognised investment firms, recognised clearing houses and recognised exchanges. Additionally, where the reporting bank is exposed to a bank which is closely related to a non-bank counterparty to which the reporting bank is also exposed and the exposure to the bank and *the non-bank counterparties* taken together exceeds 10% of the reporting bank's capital base, the exposure to the bank should be reported here in Part 3(i) if the exposure is ≤ 1 year in maturity and that part of the exposure > one year maturity, if any, reported in Part 3(ii). Exposures to counterparties closely related to the counterparties reported in column 1 should be reported in column 5.

The 20 largest exposures (unless a lower number has been agreed by the reporting bank with the FSA) and any other exposures which exceed 10% of the reporting bank's large exposures capital base (LECB) should be reported. Where a loan is repayable in instalments the amounts should be reported in parts (i) and (ii) in accordance with the maturity of the instalments, such that the amount repayable within one year will be included in Part 3(i) and that part due to be paid in over 1 year will be included in Part 3(ii). A security with optional redemption dates which are exercisable by the holder should be classified according to the first optional redemption date. Exposures arising from repos/reverse repos should be reported in 3(i) or 3(ii) according to the maturity of the repo contract not the security repoed.

PART 4

Exposures to central governments and central banks which exceed 10% of the reporting bank's capital base should be included in this section. Exposures to local authorities, states, other public sector bodies and state owned banks which it is appropriate to treat as an exposure to a central government should also be reported here (such cases should be agreed with the FSA). The reported exposures should be split between Zone A and Zone B.

PART 5

Holdings of tradeable securities in the Trading Book which are subject to soft limits should be included in this section.

Where an exposure to an issuer arising as a result of inclusion of holdings of tradeable securities in the Trading Book exceeds 25% of LECB the FSA may agree in writing that the use of soft limits is appropriate. Where the FSA has been pre-notified of and agreed a reporting institution's limits for soft limited exposures, exposures which do not exceed these limits need not be further pre-notified to the FSA although they should be post-notified on the Form LE2 and subject to incremental capital requirements. Such exposures should be marked with an (S) and listed in Part 5 of the Form. The capital charges listed here should be carried across to items B120 and B130 of the Form BSD3 and any incremental capital charge calculated on that form.

Reducing an Exposure

Syndicated loans/Sub-participations

Where the reporting bank acts as manager or co-manager of a loan financed by more than one institution, the other participating institution's share of the loan should not be reported as an exposure by the reporting bank. The participating institution, however, should have made a deposit with the manager covering its full share of the loan, and there should be no recourse to the manager by the participating institution should the borrower fail to repay. A participating institution should report its exposure as an exposure to the ultimate borrower.

Bad debt provisions

The book value should be reported gross of provisions for bad and doubtful debts. Similarly, where an exposure is marked to market the valuation should be gross of any provisions. Such provisions should however be reported in column 4 and the calculation of exposures against large exposures limits in Chapter LE (Large exposures) of the FSA Policy Guide/IPRU (BANK) should be made using exposures net of specific provisions (ie figures in column 2 or 3 of the return net of column 4). Exposures should also be reported net of write-offs which have occurred since the last reporting date. These write-offs should be reported in a schedule to the form.

Exposures secured by Eligible Collateral

Where an exposure is fully secured by cash collateral in accordance with the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK), the value of collateral held should be reported in column 5(a) of Parts 1, 2 and 4, and column 6(a) of Parts 3(i) and 3(ii). Where Zone A government securities are held as collateral, the value of the securities held should be reported in column 5(b) of parts 1, 2 and 4, and 6(b) in parts 3(i) and 3(ii).

Exposures covered by guarantees

Where an exposure is guaranteed, either by the parent bank of the reporting bank or a third party, the amount so guaranteed should be reported in column 6(a) and 6(b) respectively in Parts 1, 2 and 4 and column 7(a) and 7(b) in parts 3(i) and 3(ii). If an exposure to the original counterparty is reduced by virtue of a guarantee the exposure to the guarantor should be recorded.

1-3 year derivative concession

Derivative exposures with a maturity of over one year but under three years may be weighted at 20% for the calculation of exposures against limits in appropriate cases. Such cases should be agreed in advance in writing with the FSA. For reporting, these exposures should be included un-weighted in amounts reported in column 2 or 3 of Part 3(ii). The amount exempt under this treatment should be reported in column 8.

Connected exposure concessions

Where a connected exposure concession eg a treasury concession has been agreed, amounts covered by the concession should be included in column 7 of Part 2(i) and Part 2(ii).

Amount included in clustering ratio

This should be the gross/net exposure less any amounts allowed to be set off under columns (4)-(9) where relevant. ***Care:*** amounts reported as being covered by a third party guarantee may not be excluded from the clustering ratio calculation depending upon the status of the guarantor. All entries in the clustering ratio columns in Parts 1-4 should be summed and the total reported in the box provided in Part 4. This total should be measured as a % of capital base so as to monitor compliance with the limit agreed with the FSA for the reporting bank.

FORM LE2
ANALYSIS OF LARGE EXPOSURES

INTERNAL VALIDATIONS

Ref no	**LE2 column number**		
1	A2A	≤	A2B
2	A3A	≤	A3B
3	A4	≤	A2A+A3A
4	A7		if ((A2A+A3A-A4-A5A-A5B-A6A-A6B)<CB1*0.1, 0, ≥(A2A+A3A-A4-A5A-A5B-A6A-A6B))
5	B2A	≤	B2B
6	B3A	≤	B3B
7	B4	≤	B2A+B3A
8	B8		if ((B2A+B3A-B4-B5A-B5B-B6A-B6B-B7)<CB1*0.1, 0, ≥(B2A+B3A-B4-B5A-B5B-B6A-B6B-B7))
9	C2A	≤	C2B
10	C3A	≤	C3B
11	C4	≤	C2A+C3A
12	C8		if ((C2A+C3A-C4-C5A-C5B-C6A-C6B-C7)<CB1*0.1, 0, ≥(C2A+C3A-C4-C5A-C5B-C6A-C6B-C7))
13	D2A	≤	D2B
14	D3A	≤	D3B
15	D4	≤	D2A+D3A
16	E2A	≤	E2B
17	E3A	≤	E3B
18	E4	≤	E2A+E2B
19	E9		if ((E2A+E3A-E4-E6A-E6B-E7A-E7B-E8)<CB1*0.1, 0, ≥(E2A+E3A-E4-E6A-E6B-E7A-E7B-E8))
20	FA2A	≤	FA2B
21	FA3A	≤	FA3B
22	FA4	≤	FA2A+FA2B
23	FB2A	≤	FB2B
24	FB3A	≤	FB3B
25	FB4	≤	FB2A+FB3A
26	FB7		if ((FB2A+FB3A-FB4-FB5A-FB5B-FB6A-FB6B)<CB1*0.1, 0, ≥(FB2A+FB3A-FB4-FB5A-FB5B-FB6A-FB6B-FB7))
27	FTOT	=	∑A7+∑B8+∑C8+∑E9+∑FB7
28	FSA	>	0 **(Introduced SRN/2001/2, effective December 2001)**

FORM LE2
ANALYSIS OF LARGE EXPOSURES

CROSS FORM VALIDATIONS

LE2 AND BSD3

Ref no	LE2 items		BSD3 items
1	$\sum A4+\sum B4+\sum C4+\sum D4+\sum E4+\sum FB4$	$\leq$	Appendix A-V 80S (SRN/1998/5)

LIQUIDITY RETURN (FORM LR)

These instructions should be read in conjunction with the Supervisory Guidance Notes as necessary. For convenience, these reporting instructions will refer to the Supervisory Guidance Notes as 'SGN', the FSA Banking Supervisory Policy Guide as 'FSA Policy Guide' and the Interim Prudential Sourcebook for Banks as 'IPRU (BANK)'.

General Notes[1]

Completion and submission to the FSA

1 Institutions should submit completed and signed returns to the Financial Services Authority (FSA) c/o Monetary and Financial Statistics Division of the Bank of England. All returns should be sent to the address printed on the cover page of the form within ten business days after the reporting date, or twelve business days for those institutions reporting electronically. For reporting dates and the basis of reporting, see SGN3 and SGN Appendix I respectively. Institutions should note that the reporting cycle is dependent upon the basis on which they report to the Bank of England on Form BT (see Note 3 on the front of the Form LR)[2].

2 Institutions may choose whether they report on a trade date or settlement date basis. However, the institution should report consistently on one basis both across the return and between reporting periods.

3 Branches of European Union and non-European Union institutions (EEA banks and UK branches of banks established outside the EEA) who have agreed a global concession with regard to liquidity reporting will not normally be required to complete this return. This is because their liquidity is supervised by the home supervisor. However, the supervisor may request such information in a similar format should the need arise. .

Cross validation

4 This return does not cross reconcile with any other prudential or statistical returns.

5 Validations are carried out internally within the form. In addition, the FSA will wish to compare for reasonableness the figures provided on this return with those provided on other returns.

Liquidity reporting in individual currencies

6 This return should be completed on the basis of all currencies combined. Currencies should be translated into sterling (or euros if appropriate, see SGN2a) at the closing spot mid price on the reporting date and entered in the relevant time band. However, the FSA may require institutions to provide management information on positions in individual currencies in the event of difficulties either in the individual institution or with the currency in question.

[1] The FSA has produced a text-based Distance Learning pack titled "Measuring banks' liquidity: Form LR". It is designed to help users understand the FSA's liquidity reporting guidance using Form LR. It is principally targeted at those responsible for overseeing liquidity reporting to the FSA and managers in treasury functions; but it could also be of benefit to a wider audience. It is suitable for a range of banks carrying out a wide range of activities.
The material comes in two packs - the Resource Pack and a Learning Pack, one providing a source of information and the other exercises to test understanding. A set of both packs costs £95. Special offers are available if you want more copies of the Learning Pack to go with one Resource Pack.
For more information or to order a copy, please contact the Industry Training Helpline on
020 7676 0752

Cashflow vs maturity analysis approach

7 The policy aim is to ensure that institutions hold sufficient liquid assets to meet their obligations as they fall due and the FSA agrees mismatch guidelines to help secure the policy objective.

8 The form is there to monitor institutions' compliance with their guidelines.

9 It does this in two ways: firstly, by including a maturity analysis of known and/or potential cashflows out to six months and secondly, by a maturity analysis of assets and liabilities from 6 months to 5 years. Non-marketable assets, and liabilities with a maturity of more than five years or which have no maturity, are not covered . During the transitional period, institutions should only provide an analysis of cashflows out to 1 month; the period beyond 1 month may be reported as a maturity analysis of assets and liabilities. Institutions may decide how and when they effect the transition to reporting cashflows out to six months but the transition should be completed by the fourth quarter 2001. Marketable assets with a maturity greater than 1 month should generally be shown separately and not included in the cashflow ladder (but see paragraph 44 below).

10 Institutions should report both inflows and outflows on the same basis. Therefore, if an institution reports inflows on the cashflow basis out to three months it should also report outflows on the cashflow basis out to three months. **The split between the cashflow basis of reporting and the maturity analysis should occur at the same timeband throughout the return.**

11 Items reported on a cashflow basis should include both interest and principal amounts, together with any other income relating to them.

12 Items reported on a maturity basis should be reported at their value on the institution's books. However, any cashflows arising from these items (eg interest payments) within the cashflow reporting period should be included in the relevant cashflow periods.

13 Thus cashflows (eg interest payments on a loan) arising from items (however reported) should be entered in the relevant cashflow timebands (ie those which the institution reports) when they fall due.

14 Part 2 of this return is divided into sections asking for details of 'Retail' and 'Wholesale' inflows and outflows. The exact division between the two sections is a matter for individual institutions to decide and include within their liquidity policy statement.

15 Where the amounts of cashflows are not material in relation to the total cashflows, the institution may agree with their supervisor that they need not be reported.. The institution should agree in advance with their supervisor which flows are not considered 'material' for the purposes of liquidity reporting. Any such arrangements should be included within the institution's liquidity policy statement, particularly for the purposes of reports commissioned under Section 39 of the Banking Act 1987 or Section 166 of the Financial Services and Markets Act 2000.

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[2] In general, any change in Form LR reporting dates as a result of the Bank of England changing the institution's reporting frequency of the Form BT will take effect within the subsequent quarter.

“Contractual” vs “Behavioural” approach to liquidity position measurement: Parts 2 and 3 of the return

16 For supervisory monitoring, the FSA will normally wish to assess an institution’s liquidity position on a “worst-case” basis. Therefore, in Part 2 of this return (Contractual basis), cash inflows should be assumed to occur at their latest contractual maturity, while cash outflows should be assumed to occur at their earliest contractual maturity.

17 The contractual maturities pertaining to some assets and liabilities do not bear close relation to their actual behavioural characteristics. Examples might be overdrafts and credit card receivables. For this reason, for some limited categories of inflow and outflow, it is considered appropriate for institutions to report data on one of two bases. The basis of reporting should be agreed in advance with the FSA. First, the “contractual” basis, under which it will generally be assumed that items behave in accordance with their contractual terms; second, with certain “behavioural” assumptions factored into the calculations. In certain circumstances, the FSA may require an institution to report behavioural adjustments, particularly in respect of overdrafts (see items B1C and items B2A-B5A).

18 In instances where institutions apply for behavioural treatments, the FSA will expect such applications to be properly supported by empirical data running over an appropriate period of time.

Arrears and overdue

19 Where assets or other items giving rise to cashflows are non-performing, poorly performing or there is reasonable doubt about the certainty of receipt of inflows of funds pertaining to them, cashflows arising from them should not be included as receivable in the timeband columns. Rather the items should be reported in the ‘overdue’ column.

20 Non-performing or poorly performing assets are described as assets where on any reporting date, the asset or part of it, has passed the due date for repayment by fourteen days or more (or, in the case of lending under unconditional ECGD bank guarantee, ie Buyer Credit and the Supplier Credit Financing Facility, by thirty days or more). Assets, where the institution does not consider there is reasonable doubt over the certainty of receipt of inflows, but which have passed the due date by fourteen days or less (or less than thirty days for lending under unconditional ECGD bank guarantee, ie Buyer Credit and the Supplier Credit Financing Facility), should be entered as ‘next day’.

21 Unless the whole of the loan or asset has been formally declared to be in default within the terms of the contract, only that part of a loan/interest or other asset actually overdue should be reported in the ‘overdue’ column on a contractual basis. If the whole of the loan or asset has been formally declared to be in default within the terms of the contract, the institution should exclude any unmatured instalments of a loan which is partially in arrears. The institution should also report the amount of their debt portfolio which is in arrears in item D2B of the memo items to Part 2.

22 Where an asset or cashflow previously reported according to the treatment in paragraphs 20 and 21 is contractually rescheduled according to a written agreement, institutions should cease to report these items as ‘overdue’ and report them according to the new agreed dates for repayment.

23 However, certain institutions work on a recency basis, ie the customer is not deemed to be in arrears if repayments are still being met, even if one or more payments have been missed. In this case, they may report the debt accordingly on the maturity ladder, ie reporting the number of payments at their prescribed intervals with an extension on the maturity of the loan to account for the missed payments. Such treatment should however be regarded as an exception and institutions should contact their supervisor before adopting this method of reporting, which should be shown in the behavioural adjustments section of the Form (Part 3).

Provisions

24 Items should be reported net of specific provisions. General provisions should not be recorded on this return.

Residual Maturity

25 Unless otherwise stated in the reporting instructions, all references to maturity for the purpose of this return refer to residual maturity.

26 Cash inflow and outflow items and assets and liabilities should be classified according to their remaining maturity. Cashflows such as receipts of interest on performing loans or payments of interest on deposits should be recorded in the timeband in which they will occur.

27 Deposits placed with the reporting institution should - as appropriate - be reported either as outflows occurring on the earliest possible repayment date, or as liabilities maturing at the earliest possible repayment date. In this context, the earliest repayment date means the first rollover date or the shortest period of notice required to withdraw the funds or to exercise a break clause, where applicable.

28 Loans made by the reporting institution should - as appropriate - be entered as inflows occurring on the latest possible repayment date or as liabilities maturing at the latest possible repayment date. Purely technical break facilities should be disregarded for fixed term loans. Where the institution has loans outstanding at the reporting date under revolving credit lines and has not received notification that they will be redrawn on maturity, the intermediate date should be taken as the maturity date.

29 Where an institution holds a security where the issuer has the option to repay over a range of dates, the last repayment date should be taken as the date of repayment, unless notice has been given of redemption at an earlier date. Where the institution has issued such a security the first repayment date should be taken as the date of repayment, unless notice has been given of redemption at a later date.

30 The treatment of spot foreign exchange deals will depend upon whether the institution reports on a trade or settlement date basis. Those reporting on a trade date basis should only include the effect of any transactions which take place on the reporting date, whereas those reporting according to the settlement date may need to report deals from previous days which have yet to settle. This should not affect an institution’s decision about the basis on which it should report the Form LR. As long as the Form LR is reported consistently on one basis across the form and between quarters, it will not have any impact on an institution’s compliance with its mismatch guidelines.

31 Where an institution has entered into a forward deal where it is fully committed (eg a loan/deposit with a start date of two days forward and spot foreign exchange trade) and the cashflows will take place within the sight to 8-day time band, it should be reported on the return as such. However, where the institution intends to enter into an agreement in two days time but has not yet committed itself, this should not be reported as this return is intended to be a snapshot at the end of the quarter.

32 The timeband 'next day' comprises cashflows or asset items due, available or maturing on the next business day after the reporting date.

33 Cashflows arising or assets/liabilities maturing on a non-business day should be reported as taking place on the following business day.

34 Funds callable at one day's notice should be entered as two-day maturity unless notice has been received or given on the reporting date.

35 Funds callable at seven days' notice should be entered in the '8 days and under (excluding next day)' maturity band, even if not called.

36 Where the period to remaining maturity is to be entered in months, it should be calculated on a calendar month basis starting from the reporting date.

37 The following example sets out in which timeband cashflows and assets/liabilities due, available and maturing on the reported dates stated will be reported. All dates are inclusive.

Reporting date	28/29 February	31 May	31 August	30 November
'Demand (inc. next day)' covers:	1 March/next business day	1 June/next business day	1 September/ next business day	1 December/next business day
'8 days and under' covers:	Up to 8 March*	Up to 8 June*	Up to 8 September*	Up to 8 December*
'over 8 days – 1 month' covers:	9 - 31 March	9 – 30 June	9 - 30 September	9 - 31 December
'over 1 month – 3 months' covers:	1 April - 31 May	1 July – 31 August	1 October - 30 November	1 January - 28/29 February
'over 3 months - 6 months' covers:	1 June - 31 August	1 September - 30 November	1 December - 28/29 February	1 March - 31 May
'over 6 months - 1 year' covers:	1 September - 28/29 February	1 December - 31 May	1 March - 31 August	1 June - 30 November

* but excluding next day

Netting of debts and claims

38 All claims and liabilities should be reported gross. Reporting institutions should not net (or offset) claims on counterparties or groups of counterparties against debts owed to those counterparties or groups of counterparties, even where a legal right of set off exists. Where the maturity of the claims and debts falls within the same timeband, the claims and debts will automatically offset each other on the return in the calculation of the mismatch.

39 Institutions should report long positions in marketable assets on Part 1 of this return. Long positions in 'non-marketable' items should be entered in Part 2 of the form as inflows. Short positions should be reported on Part 2 of the return. Short positions arising from either forward sales/purchases or repos have their own designated lines on Part 2, items C2G and C3C. An outflow relating to these types of short position should be reported in the timeband corresponding to the maturity of the contract. In the case of short positions arising from anything other than forward sales/purchases or repos, eg short-selling a bond, the outflow should be reported in Part 2 in the line corresponding to the expected counterparty eg C2D (interbank), C2E (corporate) or C2F (government). If the counterparty is not known, the outflow should be reported by default in C2D (interbank). These types of short positions should be reported as outflows in the demand timeband. In the case of marketable assets, institutions should enter the marked-to-market value of the asset as an outflow in the demand timeband. Non-marketable assets should be reported in the demand timebands at their redemption value or, where this is unavailable or inappropriate (eg in the case of equities), the book value should be reported.

40 For example, assume two months before the reporting date, an institution made a loan to a customer of £1mn for 6 months and that customer placed funds with the institution of £500,000 for three months. Assuming that the institution reports on a cashflow basis out to 6 months, it should record an inflow of £1mn in the 'Over 3 months - 6 months' column under the appropriate category and an outflow of £500,000 in the 'Over 8 days - 1 month' column under the appropriate category. In addition, any interim cashflows such as interest payments and receipts should be recorded in the appropriate timebands. During the transition period however, the institution may only report on a cashflow basis out to one month. In this case, the Form will show an asset of £1mn maturing in the 'Over 3 months - 6 months' column and an outflow of £500,000 in the 'Over 8 days - 1 month' column. Only the outflow would include any interim cashflows in the appropriate timebands.

Marketable securities

41 In reporting liquidity positions, institutions should normally apply "worst case" assumptions about the timing of inflows and outflows of funds. However, some categories of asset are clearly marketable and could be readily converted into cash where necessary. These assets are reported in Part 1 of the Form, Marketable Assets. Institutions should enter the full value of the marketable asset concerned in columns 1 and 2 according to the currency of denomination. The following two columns then set out the discount which will need to be applied to the full value of the asset. Discounts are applied to reflect that an institution may realise less than the market price quoted for an asset where the institution is seeking to realise assets quickly because of liquidity problems pertaining either to itself, or to general market conditions, or both. The institution should then allocate the discounted value of the assets to either of columns 3 or 4.

42 The timeband into which a marketable asset may be brought is determined by the length of the settlement period for the instrument in question. This reflects the length of time it would take for an institution to receive the proceeds of any sale. For example, equities quoted in the FTSE 100 index may be reported as funds receivable in the sight - eight days category because settlement for equities sold today occurs in less than eight days. Where the settlement period for items is more than eight days, or where there are other factors which mean that funds would not be received within the sight to eight days category were the asset sold or repo'd today, then the funds should be recorded as receivable in the over eight days to one month column of Part 1. Where settlement or other delays mean that funds would not be received within one month, then the items should be recorded in Part 2 of this return.

43 Marketable assets maturing at exactly one month should be reported in Part 1 of the return. Institutions however, may include the full value of the asset in the one month timeband and not to discount at all during the life of the asset

44 Where assets have a residual maturity of less than one month, the FSA recognises that it is not relevant to automatically apply a discount to such assets. In general, these assets should be entered as cashflows in the relevant timeband in Part 2 of the form (not Part 1) and no discount will be applied. The FSA acknowledges, however, that certain assets may be marketable right up to the day before they mature, and the agreement of the FSA should be sought before such assets are included in Part 1.

45 Assets which do not meet the criteria in paragraph 46 below, or which cannot be fitted into the tables below, are non-marketable assets for the purposes of this return and should be reported in Part 2 of the form according to their residual maturity. This covers:

(a) Non-investment grade debt instruments (as rated by a recognised credit agency) issued by a Zone B issuer;

(b) Non-investment grade debt instruments (as rated by a recognised credit agency) issued by a non-government Zone A issuer;

(c) Commercial paper and certificates of deposit that do not meet the definition of marketable assets as set out in paragraph 46 below and Chapter LM (Mismatch liquidity), Section 5.1.3, of the FSA Policy Guide/IPRU (BANK).

46 Marketable assets need to fulfil all the following criteria:

(a) prices are regularly quoted for the item by a range of counterparties;

(b) the item is regularly traded;

(c) the item may be sold (or repo'd) either on an exchange or in a deep and liquid market, for payment in cash; and

(d) settlement is according to a prescribed timetable rather than a negotiated timetable.

47 To avoid double counting, cashflows (of principal or interest) arising from holdings of marketable assets should not be included in Part 2 of this return.

48 Where Brady bonds have been issued by Zone A governments, these securities should be reported as zone A government debt under items A2A/A2B/A2C rather than as Brady bonds in item A4A.

49 The value included at demand-eight days or demand-one month will normally be a discount to the marked-to-market value of the asset (taken from the bid price) at the reporting date. The range of discounts is set out below.

(i) Zone A items issued in zone A currencies

Asset	**Discount factor**
Central government and central government guaranteed marketable securities, including Treasury bills, eligible local authority paper and eligible bank bills with 0 - 12 months residual maturity. Also Brady Bonds issued by Zone A governments of similar maturity.	0% (20% if denominated in a zone B currency)
Other central government, central government guaranteed and local authority marketable debt with over 12 months - 5 years residual maturity or issued at variable rates with over 12 months residual maturity. Also Brady Bonds issued by Zone A governments of similar maturity.	5% (25% if denominated in a zone B currency)
Other central government, central government guaranteed and local authority marketable debt with over five years residual maturity. Also Brady Bonds issued by Zone A governments of similar maturity.	10% (30% if denominated in a zone B currency)
Non-government debt securities which are either issued by a zone A credit institution or an investment firm subject to a CAD equivalent regime or which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have 0 - 6 months residual maturity.	5% (25% if denominated in a zone B currency)
Non-government debt securities which are issued by a zone A credit institution or an investment firm subject to a CAD equivalent regime or which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have over 6 months - 5 years residual maturity.	10% (30% if denominated in a zone B currency)
Non-government debt securities which are issued by a zone A credit institution or an investment firm subject to a CAD equivalent regime or which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have over 5 years residual maturity.	15% (35% if denominated in a zone B currency)

(ii) Zone B items (irrespective of currency)

Asset	**Discount factor**
Central government and central government guaranteed marketable securities, including Treasury bills, with 0 - 12 months residual maturity which are classified investment grade by a relevant credit ratings agency (see paragraph 50).	20%
Other central government and central government guaranteed marketable debt with over 12 months - 5 years residual maturity, or at variable rates, which is classified investment grade by a relevant credit ratings agency (see paragraph 50).	30%
Other central government and central government guaranteed marketable debt with over five years residual maturity which is classified investment grade by a relevant credit ratings agency (see paragraph 50).	40%
Non-government debt securities which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have 0 - 6 months residual maturity.	30%
Non-government debt securities which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have over 6 months - 5 years residual maturity.	40%
Non-government debt securities which are classified investment grade by a relevant credit ratings agency (see paragraph 50) and which have over 5 years residual maturity.	50%

(iii) Brady Bonds

Brady Bonds (other than those issued by Zone A governments)	20% (40% if denominated in a zone B currency)

(iv) Equities

Equities which are listed on a recognised stock index (see paragraph 51).	20% (40% if recognised stock index in a zone B country)

50 The list of relevant credit ratings agencies is given in SGN Appendix H and in Section 9 (Appendix 2) of Chapter TI (Interest rate position risk) of the FSA Policy Guide/IPRU (BANK).

51 The list of recognised stock indices is listed in Section 6 of Chapter TE (Equity position risk) of the FSA Policy Guide/IPRU (BANK).

Collateral/assets pledged

52 Where an institution has pledged assets as collateral (ie where those assets remain on the institution's balance sheet but have been charged as collateral), it should no longer count them either as being available for sale as discounted marketable assets (in Part 1 of the form), or at their residual maturity in the timebands (in Part 2 of the form) for the period until they are again available for immediate sale. However, where an institution receives coupon or interest payments arising from pledged assets, it may record those cashflows as receivables in the timeband according to their receipt.

53 Where an institution has collateral pledged to it, or does not have full legal title to collateral, it should not count the assets that make up the collateral as available for sale as marketable assets. Only where full legal title to the assets received as collateral has passed to the reporting institution, and the assets are available for immediate resale, may that institution treat them as marketable assets.

54 Where an institution has received assets as collateral but they are not beneficially owned nor available for sale by the institution immediately (for example, unless there is an event of default by the counterparty), they should not be reported as forming part of the institution's stock of marketable assets.

Public Sector Entities (PSEs)

55 See SGN23 for the definition of PSEs.

Off balance sheet cashflows

56 For forward sales and purchases, when the institution sells forward an asset on Part 1 of the return, that particular asset may continue to be reported in Part 1 of the form until the date of the forward sale, when the asset leaves the institution's ownership. The inflow of the cash and the outflow of the asset should still be reported in Part 2 of the return at the 'residual maturity' of the deal. This treatment is the same as for repos where the asset ceases to appear on Part 1 from the start of the repo (paragraphs 63-67 below).

57 Swaps, FRAs and futures should be reported according to the cashflows they entail. Fixed legs of swaps should be recorded as the amount of the known cashflow; floating legs of swaps, FRAs and futures will be recorded according to the cashflow implied by their market value at the reporting date.

58 Option inflows and outflows are reported as memo items in items D1A and D1B in Part 2 of the return. Institutions may use one of two methods (see the instructions for items D1A and D1B). Whichever method is adopted, it should be specified in the institution's liquidity policy statement. Margin payments on exchange traded options should be reported according to the treatment outlined in paragraph 61; amounts relating to the principal on exchange traded options should be reported in the same way as other option inflows and outflows.

59 Warrants should be reported according to the treatment for options outlined in the previous paragraph.

60 Convertible debt securities should be treated as equities where the convertible debt security is trading at a premium of less than 10%, where the premium is defined as the current mark-to-market value of the convertible debt security less the mark-to-market value of the underlying equity, expressed as a percentage of the mark-to-market value of the underlying equity. Convertible debt securities other than those defined above may be treated as equity or debt securities.

Margin

61 Since variation margin payments on exchange traded futures take place every day, no amount should be recorded on the form for these payments. Held options should be reported in the memo items for options (items D1A and D1B). For other futures, institutions should enter the mark-to-market value of the future in the appropriate band. Where there is no exchange of principal, the institution should only report the flows in the timebands which it reports on a cashflow basis. However, should the institution hold an additional amount at the clearing house to cover variation margin, this should be entered as a demand asset on Part 2 of the form under 'Other inflows'. The amount of initial margin held by the institution at a clearing house should be entered in the 'Corporate' item B2D in the relevant timeband according to the residual maturity of the longest delivery date on the account.

62 For deposits with brokers, where the broker is acting as an intermediary, the same treatment should be applied to the deposits as that applied to variation and initial margin posted with clearing houses. Where institutions cannot distinguish between variation and initial margin, the amount should be entered at the furthest maturity of all contracts on the exchange.

Repos and reverse repos

63 The treatment of repos, reverse repos, stock lending and stock borrowing is essentially analogous to that of forward sales and purchases and is described in Appendix 1 to these instructions. Stock lending and borrowing is treated as being analogous to repo and reverse repo where ownership of the items borrowed and loaned is transferred under the transaction; the item borrowed is then available for sale immediately by the borrowing institution. The following treatment should therefore be applied:

(a) The borrowed item should be reported in Part 1 of the form; the loaned item should cease to be reported in Part 1 of the form.

(b) Report the discounted value of the loaned item as an inflow; report the discounted value of the borrowed item as an outflow in the 'Repo/Reverse Repo' line at the maturity of the transaction where both are marketable assets.

(c) Should either asset be classed as 'non-marketable', the relevant adjustments should be made to the non-marketable assets line in Part 2 of the form.

64 It has been assumed throughout this definition that the cash leg of the transaction is effected through Nostro accounts.

65 Throughout this section of the General Notes, the term ‘discounted value of the security’ will refer to the value of the security once the supervisory discount has been applied to the market value of the asset.

66 During the lifetime of a repo, the discounted value of the asset should be reported in item B2F according to the timeband corresponding to the maturity of the repo. Assets repo’d out will re-appear in Part 1 of the form once the asset has been received back by the reporting institution. Reappearance in Part 1 therefore occurs at the settlement date of the asset, which may not necessarily be the next working day.

67 For reverse repos, the discounted value of the asset received should only be reported in Part 1 from the first working day after the start of the reversed repo. The asset should be removed from the Form LR on the day of the maturity of the reverse repo not the first working day after the maturity of the reverse repo.

Repo against DBV

68 Where an institution has undertaken an (overnight) repo/stock lending in return for unknown collateral, it should report as though non-government debt of over 5 years residual maturity has been received. Only where the quality of the collateral received is constrained and the institution can evidence the constraint should a more favourable treatment be adopted.

Swaps and FRAs

69 Institutions should report all projected flows associated with a swap (including any bullet payments) during the periods where they report on a cashflow basis. Interest amounts on swaps should only be reported in the cashflow section.

70 With currency swaps, where an exchange of principal is effected at the start or maturity of the swap, the two amounts should be treated as a forward foreign exchange contract and reported in both the cashflow and maturity analysis sections of the form, in either item B3B or item C3B.

71 For interest rate swaps, eg a 5-year fixed rate against a 3 month LIBOR swap, institutions should report the known amount of the fixed leg of the cashflow out to the last cashflow timeband (initially this will be the ‘Over 8 days to 1 month’ period, but by the fourth quarter of 2001, this will be the ‘Over 3 months to 6 months’ timeband). The floating leg should be reported out to the same timeband according to the cashflow implied by yields prevailing at the reporting date (or alternatively a forward LIBOR rate). Both legs should be reported in items B3A or C3A.

72 For fixed legs, the known amount of the fixed leg should be entered. For floating legs, the amount of the cashflow to be received should be derived from the swap’s present value at yields prevailing at the reporting date and entered as an inflow in the relevant timeband. Where the floating leg has been agreed in advance for a specified period, institutions should report the cashflow according to this rate.

73 Cashflows arising from FRAs should only be reported in the cashflow section, <u>NOT</u> in the maturity analysis section. The present marked-to-market value of the FRA, or the settlement amount post fixing, should be recorded in the time period based on the actual settlement date of the FRA, ie when the institution makes a payment or receives funds.

REPORTING INSTRUCTIONS

A Reporting in euros

Only institutions which the FSA has agreed should report in euros (see SGN2a) should tick this box.

Part 1: Marketable Assets

General Notes

This section is used for reporting holdings of marketable assets which are in the institution's ownership and available for sale immediately at the reporting date.

Assets should be reported at their mark-to-market value (bid price) at the reporting date. Where the institution's system does not operate on this basis, they may follow their own valuation practice, eg mid market or bid/offer prices. Institutions should always report the dirty price ie including accrued interest.

Assets pledged as collateral, or assets not otherwise available for immediate resale, should not be reported in Part 1 as marketable assets. Where an institution has pledged assets as collateral in a transaction and they are no longer available for sale by the institution, they should cease to be reported in the marketable assets section (Part 1) of this form for the period until they are again available immediately for sale. Interest received on these pledged assets, however, may be reported in Parts 2 and 3 of the Form LR as receivable by the reporting institution in the appropriate line as cash inflows in the period in which they occur.

For the treatment of repo/reverse repo and stock borrowing/lending, see the General Notes (paragraphs 63 to 68) to this form.

Where assets, which would otherwise be eligible to be included in Part 1 of this form, mature within one month, they should generally be reported in Part 2 of this form under 'Non marketable capital items and debt instruments maturing within 1 month' (item B2A) as an inflow/asset in the timeband corresponding to the residual maturity of the asset. Items should then be reported at full marked-to-market value, with no discount applied. The FSA recognises, however, that certain assets might be marketable up to the day they mature. It may agree with institutions that it is appropriate for them to include identifiable assets maturing within one month on Part 1 until maturity.

Discount factors

To reflect the risk of price variations, a range of discount factors is applied to the marked-to-market values of assets brought forward in maturity into Part 1 of this form. The range of discount factors is listed in the General Notes (paragraph 49).

Definitions

A1A Cash held

This comprises holdings of notes and coin.

A2A-A2F DEBT INSTRUMENTS ISSUED IN ZONE A COUNTRIES[3]

A2A Central government/central government guaranteed, including Treasury bills, eligible Local Authority paper and eligible bank bills with a residual maturity of up to 1 year

Include:

- Short term central government (including central government guaranteed) paper and paper eligible for discount at the Central Bank issued by either HM Government/another UK issuer or by another Zone A Central Government/ another Zone A issuer;
- Treasury bills;
- Bank of England euro bills;
- Eligible local authority paper, defined as UK local authority bills which are eligible for rediscount at the Bank of England, if they have an original term to maturity of not more than (6 months) 187 days and meet certain requirements concerning publication and notice set out in the Bank of England's notice of 8 June 1983.
- UK bank bills which are eligible for rediscount at the Bank of England if they are sterling bills, irrespective of issuer, which are both payable in the United Kingdom and have been accepted by eligible banks (see SGN Appendix G). Also include any holdings of non-UK bills which are eligible for discount at the central bank in the country of issue, as part of its open market operations.
- Brady bonds issued by Zone A governments.

Both fixed and variable rate securities should be reported. Only record those securities currently in the reporting institution's ownership (including where these are held in a clearing system such as Euroclear).

A2B/A2C Central government/central government guaranteed and Local Authority marketable debt between 1 year and under 5 years / of 5 years and over

Include central government (including central government guaranteed) paper and paper eligible for discount at the Central Bank issued by HM Government / another UK issuer or by another Zone A Central Government / another Zone A issuer, as well as Brady bonds issued by a Zone A government. Only record those securities currently in the reporting institution's ownership (including where these are held in a clearing system such as Euroclear).

A2D/A2E/A2F Non-government of up to 6 months / between 6 months and 5 years / over 5 years

Non-government debt securities which are classified as 'qualifying' by the FSA in its implementation of the Capital Adequacy Directive (see Chapter TI (Interest rate position risk), Section 5.2, of the FSA Policy Guide/IPRU (BANK)). Hence, debt instruments should be treated as qualifying if any of the following conditions apply:

(a) They are securities issued by, or fully collateralised by claims on, a multilateral development bank listed in the Solvency Ratio Directive (see Chapter BC (Credit risk in the banking book), Section 3.2, of the FSA Policy Guide/IPRU (BANK)). The European Commission may amend this list periodically;

[3] Zone A and Zone B countries are listed in SGN Appendix C.

(b) They are issued, guaranteed, endorsed, or accepted, by a credit institution incorporated in a Zone A country;

(c) They are issued, or guaranteed, by an investment firm that is subject to the Capital Adequacy Directive, or a regime that is as stringent (for a list of such regimes see Chapter CS (Consolidated supervision), Section 10.3, of the FSA Policy Guide/IPRU (BANK));

(d) They are issued by, or guaranteed by, Zone A PSEs;

(e) They are issued by, or guaranteed by, a company whose equity is eligible for 4% equity specific risk weighting (see Chapter TE (Equity position risk), Section 6.1, of the FSA Policy Guide/IPRU (BANK)).

Only those securities in the reporting institution's ownership, which the institution may freely dispose of at any time with no restrictions (including where these are held in a clearing system such as Euroclear), should be recorded. Those assets pledged to another institution or otherwise encumbered should not be included.

A3A-A5A DEBT INSTRUMENTS ISSUED BY ENTITIES IN ZONE B COUNTRIES

A3A Central government/central government guaranteed of up to 1 year

Short term central government (including central government guaranteed) paper and paper eligible for discount at the Central Bank issued by a Zone B Central Government/ another Zone B issuer. Also include Treasury bills, eligible local authority paper and eligible bank bills. Only those securities currently in the reporting institution's ownership (including those which are held in a clearing system such as Euroclear) should be recorded. Securities should only be included in this section if they are classified investment grade by a recognised credit ratings agency (see SGN Appendix H), or if they are eligible for discount at the central bank in the country of issue.

A3B/A3C Central government/Central government guaranteed of between 1 year and under 5 years / over 5 years

Central government (including central government guaranteed) paper and paper eligible for discount at the Central Bank issued by a Zone B Central Government/ another Zone B issuer. Include only those securities issued by, or fully guaranteed by, Zone B central governments and central banks with a residual maturity of over 1 year. Only those securities currently in the reporting institution's ownership (including those held in a clearing system such as Euroclear) should be recorded. Securities should only be included in this section if they are classified investment grade by a recognised credit ratings agency (see General Notes, paragraph 50).

A3D/A3E/A3F Eligible non-government of up to 6 months / between 6 months and 5 years / over 5 years

Non-government debt securities issued, guaranteed, endorsed or accepted by an entity in a Zone B country and are investment grade. Also include those securities issued, or guaranteed by, an investment firm that is subject to the Capital Adequacy Directive or a regime that is as as stringent (for a list of such regimes, see Chapter CS (Consolidated supervision), Section 10.3, of the FSA Policy Guide/IPRU (BANK)). Only those securities in the reporting institution's ownership should be recorded (including where these are held in a clearing system such as Euroclear).

A4A Brady bonds

Brady bonds currently in the reporting institution's ownership (including those held in a clearing system such as Euroclear). Do not include Brady bonds issued by Zone A governments here. These should be discounted and reported as Zone A government debt in lines A2A, A2B and A2C.

A5A Highly liquid equities and equity indices

Equities that are eligible for a specific risk weight of 4% or less under the FSA's Implementation of the Amending Capital Adequacy Directive (CAD2) and the amendment to the Basle Accord for Market Risks and which are currently in the reporting institution's possession.

<u>Part 2: Contractual Basis: Residual Maturity</u>

Definitions

B-B5A INFLOWS

Where items fall within a timeband which is reported on a cashflow basis, institutions should include any interest payments or other cashflows associated with the inflow or outflow. Where the item falls within the maturity analysis of assets and liabilities, the institution should only include any of the associated interest or other payments/receipts that fall due within the cashflow reporting period.

Thus, where cashflows eg interest payments take place during the cashflow timebands, they should be reported on the return regardless of the residual maturity of the instrument. Hence, if an institution has a personal loan with a residual maturity of 1 year and is reporting on a cashflow basis out to six months, it should report, in item B1B, those cashflows arising during the first six months. After that only repayments of principle should be reported.

Where an institution has been provided with a committed facility and has notified the provider of a specific draw down date, the amount of the facility which will be drawn down on that date should be included in section B2. Any part of the committed facilities for which notification of draw down has not been given should be reported in item D1C.

B Cashflow or maturity basis

Institutions should enter a tick where a particular timeband has been reported according to the cashflow basis. Where a timeband has been reported as a maturity analysis of assets, institutions should leave the box for that time period blank.

B1A-B1F RETAIL

B1A Mortgages

Any repayments of loans to individuals secured by mortgage on residential properties (both freehold and leasehold) which are or will be occupied by the borrower, or which are rented. Report mortgage loans to housing associations registered with the Housing Corporation, Scottish Homes and Tai Cymru (Housing for Wales) on housing association residential property which is rented.

B1B Personal loans

Repayments of any personal loans granted by the reporting institution to retail customers.

B1C Overdrafts

Repayments of any overdrafts granted, including any interest, where appropriate.

Note that the FSA may require institutions to complete Part 3 of the Form LR (ie apply a behavioural adjustment) for retail overdrafts.

Wholesale overdrafts should not be included here but should be reported in line B2H.

B1D Credit card inflows

Report the minimum repayment required by the institution of debt arising from credit cards issued by the reporting institution. Subsequent repayments should be reported according to the minimum percentage repayment required.

B1E Repayment of advances

Any other repayments of loans associated with retail banking business that have not already been included in the above.

B1F Other retail inflows

Any other retail associated inflows that have not already been included in the above, such as fees and commissions.

B2A-B5A WHOLESALE

Behavioural adjustments to these items should be reported in Part 3 of the Form.

B2A Non-marketable securities and debt instruments, and marketable assets maturing within 1 month

Include here any securities which the reporting institution holds or will receive, but which it cannot classify as marketable. An institution should report non-marketable assets according to the redemption value of the asset or alternatively, where the redemption value is unavailable or not appropriate (eg in the case of equities), the book value. This reflects the potential inflow of cash when the asset matures. Marketable assets maturing within one month reported at their full marked-to-market value, ie undiscounted, should also be reported here. The reporting institution may however agree with the FSA that they should be included in Part 1.

Refer to the 'Marketable securities' section of the General Notes (paragraph 45) for further guidance on what should be reported in this line.

B2B Intragroup/Connected

Report any inflows from counterparties connected to the reporting institution. Where the institution is reporting on a solo consolidated basis, inflows from entities within the solo-consolidated group should not be reported. Entries should be made in this item rather than any other item in the Wholesale section if any intragroup/connected counterparties are involved.

B2C Interbank (excluding any intragroup)

Report inflows arising from placements with other institutions, including any funds held in NOSTRO balances. Also include the entire inflows from those entities that would attract a 20% counterparty weighting as outlined in SGN15. Exclude from this line inflows from other bank entities within the group, which should go in item B2B (ie intragroup/connected). Include that element of committed facilities provided to the institution where notification of draw down date has been given.

B2D Corporate (non-interbank and intragroup)

Report inflows from non-bank, non-connected corporate counterparties. Initial margins held at clearing houses should be entered here according to their residual maturity. Repayments from leases should also be recorded in this line.

B2E Government/Public Sector

Report inflows from central governments, PSEs, local authorities and central banks. Also include funds received from the European Commission, the European Economic Community (EEC), the European Coal and Steel Community (ECSC) and Euratom. For guidance on what constitutes public sector, see SGN23.

B2F Repos/Reverse Repos

This item should include any transactions relating to repos and reverse repos. Institutions should also enter any transactions relating to stock borrowing and lending. Refer to the 'Repo/Reverse repo' section of the General Notes (paragraphs 63-68) for further guidance on what should be reported in this item.

B2G Trade related letters of credit

Report here any inflows arising from trade related letters of credit.

B2H Overdrafts

Report here any wholesale overdrafts, irrespective of the counterparty. Any behavioural adjustments to this item should be effected through Part 3 of the Form, item E4H.

B3A Swaps and FRAs

For interest rate and currency swaps, enter the receipts of fixed and floating legs in the cashflow section.

For FRAs, enter the marked-to-market receipt in the relevant time period. The amount of receipts should be derived from the contract's present value at yields prevailing at the reporting date.

Refer to the 'Swaps and FRAs' section of the General Notes (paragraphs 69-73) for further guidance on what should be reported in this item.

B3B Forward foreign exchange

Enter any cashflows relating to forward purchases of foreign currency, where an exchange of principal is effected at the start or maturity of the swap. The amount received should be entered in the appropriate maturity band.

B3C Forward sales and purchases

The cash leg of any forward sales should be treated as an inflow in the timeband corresponding to the date of the forward sale. For forward purchases, where the asset purchased is a marketable asset, the institution should report the sterling (or euro) equivalent discounted value of the security purchased at the maturity of the contract. Where the asset purchased is non-marketable, the institution should enter the sterling (or euro) equivalent discounted value of the security at the maturity of the asset.

B3D Other off balance sheet

Include here any other off balance sheet items not included elsewhere, according to their cashflows. For example, the inflow (£100,000) of a three month OTC interest rate future with one month to maturity and a marked-to-market value of £100,000 should be reported in the "over 8 days to 1 month" timeband.

Institutions should exclude any cash inflows associated with options and enter these in item D1A.

B4A Fees and other income

Report here fees, commissions or other income receivable by the institution relating to their wholesale business, according to their known date of receipt. Where the date of receipt is unknown, do not report these flows.

B4B Other inflows

Report here any other inflows, which have not been included elsewhere, according to the timing of their cashflows. Also report any inflows from settlement accounts, using the trade date plus the settlement period to determine the appropriate timeband. Where the inflow is later than this date, the amount should be entered as 'overdue'.

B5A Total inflows

Report here the sum of items B1A to B4B for each column as appropriate.

C-C5A OUTFLOWS

Where an institution has made a firm commitment to participate in a syndicated loan arrangement, then it should record an outflow of the amount paid in the relevant box in the outflows section of Part 2. Where for example an institution pays by debiting the NOSTRO balance, it would enter an outflow in item C2D. Should the institution have already bought their share of the syndicated loan on the reporting date, the effect will be a reduction in the NOSTRO balance and an increase reflected in the line corresponding to the particular asset purchased.

Where the institution is the lead manager, it can be in one of three positions. First, it can act as the agent – however, this role will not lead to any inflows or outflows since it merely involves setting up a group of institutions to buy parts of the issue. Second, it can be an agent and take a share of the issue. In this case, the institution should report the cashflows arising from the latter role. Third, it can also underwrite the issue in conjunction with the previous two options. In this case, it should record the full amount of the issue in item D1D as an undrawn committed facility.

C Cashflow or maturity basis

Institutions should enter a tick where a particular timeband has been reported according to the cashflow basis. Where a timeband has been reported as a maturity analysis of liabilities, institutions should leave the box for that time period blank.

C1A-C1C RETAIL

C1A Time deposits

Include any deposits taken which have a residual maturity of more than overnight or which require prior notice to be given by the customer before withdrawal of funds. Also include deposits which include an agreement within the contract not to withdraw before a certain date. Where an institution has a material number of deposits where the depositor incurs an interest penalty in lieu of notice, it should agree with its supervisor whether it should report these deposits on a behavioural basis. Deposits should be entered in the timeband corresponding to the minimum amount of notice of withdrawal required. Saving deposits, deposit accounts and deposit receipts should also be entered here.

C1B No notice/ current accounts

Include here any amounts in accounts which are not subject to a minimum notice period ie funds which are available on demand. Also include deposits received with a residual maturity of no longer than overnight. Report any balances, whether interest bearing or not, where the entire balance is accessible without penalty either on demand or by close of business on the day following that on which the deposit was made.

C1C Additional advances committed

Report here any undrawn commitments to lend made by the reporting institution where the draw down date is known. The full amount of the commitment for the draw down date should be entered in the appropriate maturity band. Where the institution has made a commitment to lend, where the date of draw down is uncertain or not known, these should be reported in item D1D.

Where notification of draw down (of facilities that can be drawn down on demand) has been received, enter the flows in the 'Demand' timeband.

Also enter on this line any facilities that may be drawn down on demand where no notification of draw down has been received. These facilities should be entered in the '8 days and under' timeband.

Do not include undrawn facilities where no draw down date(s) have been notified or agreed (these should be included in item D1D of the memo items pertaining to commitments below).

C2A-C5A WHOLESALE

C2A Non-marketable securities & debt instruments and marketable assets maturing within 1 month

Include here at residual maturity outflows pertaining to maturing securities or debt instruments, which the institution cannot classify as marketable. Marketable assets maturing within one month at their full marked-to-market value, ie undiscounted should also be reported here.

Refer to the 'Marketable securities' section of the General Notes (paragraphs 45) for further guidance on what should be reported in this item.

C2B Additional advances committed

Enter here commitments to lend, or to take up, bills, certificates of deposit, investments etc, where there has been an agreed date(s) for the draw down of the facility. The full amount of the commitment should be entered. Also include any other contingent liabilities which it is known will actually be called on a specific date (eg performance bonds and guarantees due to be invoked), as well as money market placements and forward deposits.

Where notification of draw down (of facilities that can be drawn down on demand) has been received, enter the flows in the 'Demand' timeband.

Also enter on this line any facilities that may be drawn down on demand where no notification of draw down has been received. These facilities should be entered in the '8 days and under' timeband.

Do not include undrawn facilities where no draw down date(s) have been notified or agreed (these should be included in item D1D of the memo items pertaining to commitments below).

C2C Intragroup/Connected

Report any outflows of funds to counterparties connected[4] to the reporting institution. Where the institution is reporting on a solo consolidated basis, outflows to entities within the solo-consolidated group should not be reported. Entries should be made in this item rather than any other item in the Wholesale section if any intragroup/connected counterparties are involved.

C2D Interbank (excluding any intragroup)

Report outflows arising from placements with or from, or repayments of loans to or from, other banks. Also include the entire outflows to those entities that would attract a 20% counterparty weighting as outlined in SGN15. Exclude from this item loans to, or placements with, or deposits/placements from, other bank entities within the group (these should be reported under "intragroup/connected", item C2C).

[4] 'Connected' is as defined in the Supervisory Guidance Notes (SGN13).

C2E Corporate (non-interbank and intragroup)

Report outflows to non-bank, non-connected, corporate counterparties.

C2F Government / Public Sector

Report funds lent to central governments, PSEs, local authorities and central banks. Also include funds lent to the European Commission, the European Union (EU), the European Coal and Steel Community (ECSC) and Euratom. Where an institution is required to place funds on deposit with central banks and monetary authorities, these should be entered as an outflow in the relevant time band.

For guidance on what constitutes public sector, see SGN23.

C2G Repo/reverse repos

Record in this item any outflows related to repos or reverse repos. Also include any outflows relating to stock borrowing and lending. Refer to the 'Repos and Reverse Repos' section of the General Notes (paragraphs 63-68) for further guidance on what should be reported here.

C2H Trade related Letters of Credit

Report here any outflows arising from trade related letters of credit.

C3A Swaps and FRAs

For interest rate and currency swaps, enter payments of fixed and floating legs in the cashflow section.

For FRAs, enter the marked-to-market payment in the relevant time period. The amount paid should be derived from the contract's present value at yields prevailing at the reporting date.

Refer to the 'Swaps and FRAs' section of the General Notes (paragraphs 69-73) for further guidance on what should be reported in this item.

C3B Forward foreign exchange

Enter any cashflows relating to forward sales of foreign currency, where an exchange of principal is effected at the start or maturity of the swap. The amount paid should be entered in the appropriate maturity band.

C3C Forward sales and purchases

For forward sales, the sterling (or euro) equivalent discounted value of the security sold should be recorded as an outflow. The cash leg of any forward purchases should be treated as an outflow in the timeband corresponding to the date of the forward purchase.

C3D Other off balance sheet

Report here any outflows relating to off balance sheet items that have not been reported elsewhere on the Form LR. Institutions should exclude any cash outflows associated with options and enter these in item D1B.

C4A Dividends, tax, other costs and outflows

Report any outflows relating to payments of dividends and tax, or any other outflows that have not previously been reported elsewhere. Also report any outflows relating to settlement accounts, using the trade date plus the settlement period to determine the appropriate timeband.

C5A Total outflows

Report here the sum of items C1A to C4A for each column as appropriate.

D1A-D2B MEMO ITEMS

Options

There are two ways in which options can be reported in items D1A and D1B. Institutions should be consistent and use the same method for both inflows and outflows. Institutions should also inform the FSA of the method adopted, and record this in their liquidity policy statement.

Method 1

Report the inflows and outflows of cash arising from the exercise of the options. It is assumed for reporting purposes that all options are exercised. Any movement of the underlying financial instrument to which the option relates should be ignored.

The ‘options inflows’ item D1A should contain

- Purchased puts for equity or commodity transactions (if the option is exercised, the institution sells the asset and receives cash);

- Written calls for equity or commodity transactions (if the counterparty exercises its right to buy, the institution sells the asset in question and receives cash);

- All inflows relating to the exercise of interest rate options held/purchased by the institution, whether call options or put options (written interest rate options are not be included here but in item D1B).

The ‘options outflows’ box (D1B) should contain

- Written puts for equity and commodity transactions (if the counterparty exercises this option, the institution purchases the asset and pays out cash);
- Purchased calls for equity or commodity transactions (if this type of option is exercised by the reporting institution, it purchases an asset and pays out cash).
- All outflows relating to the exercise of interest rate options written by your bank, whether call options or put options.

Method 2

Rather than reporting potential inflows of cash if all the options are exercised (ie method 1), this method of reporting is on the basis of marked-to-market value. Purchased options giving rise to either nothing or inflows are therefore treated as assets. Written options giving rise to either nothing or outflows are seen as liabilities.

The ‘options inflows’ item D1A should contain

- The marked-to-market value of all purchased options (puts or calls) multiplied by the number of options, irrespective of whether these are in or out of the money (the marked-to-market value should be reported on the reporting date).

The ‘options outflows’ item D1B should contain

- The marked-to-market value of all sold/written options (puts and calls) multiplied by the number of options, irrespective of whether these are in or out of the money (the marked-to-market value should be used on the reporting date).

D1C Undrawn committed facilities granted to the bank

Report any facilities which have been committed to the institution and which, at the reporting date, remain undrawn. Also include any flows arising from standby letters of credit and guarantees. Where a date for draw down has been agreed, the amount should be entered in the appropriate line in the inflows section of Part 2 according to the source of the facility and entered in the corresponding timeband.

D1D Undrawn committed facilities granted by the bank

Report any facilities which the institution has committed to provide (including by way of repos) and which, at the reporting date, remain undrawn. Include only those facilities where a date for draw down has not been agreed. Where a date for draw down has been agreed or where a facility may be drawn down on demand, the amount should be entered in item C1C or C2B of Part 2 (depending on whether they are retail or wholesale facilities). Do not include repo liabilities here, refer to the General Notes (paragraphs 63-68) for guidance as to how these should be reported.

D1E Commitments under credit card and other revolving credit type facilities

Report any commitments which the institution has entered into under credit cards which have not been drawn down at the reporting date (ie available credit to cardholders).

D1F Total deposits

Report the total deposits outstanding as at the reporting date, excluding any liabilities under repo/reverse repo agreements. This figure should be used as the denominator for the mismatch and in the Deposit Concentration section (Part 4) of this form. Include:

(a) All bank notes issued by the reporting institution;

(b) No notice/current accounts;

(c) All time deposits;

(d) All certificates of deposit issued by the reporting institution, whether at fixed or floating interest rates which are still outstanding;

(e) 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 a certificate;

(f) All other issues of commercial paper and medium term notes, bonds, FRNs and other instruments, with the exception of subordinated loan capital of over two years' original maturity;

(g) Working capital provided by non-resident offices of the reporting institution.

Exclude any certificates of deposit which the reporting institution holds which it itself has issued.

D2A Undrawn treasury concessions granted by the bank

Where an institution has taken on a treasury role on behalf of its group, it may have agreed with the FSA a "group treasury concession" for large exposures purposes (see Chapter LE (Large exposures) of the FSA Policy Guide/IPRU (BANK). The institution should report here the amount of that treasury concession.

D2B Amount of total cash inflows in arrears

Where payments on debt are contractually in arrears, the amount of the debt in arrears should be reported in this item. Only that part of the debt, along with any related interest which is in arrears, should be entered here. That part of the loan which is still due and therefore not yet in arrears should be entered in the inflows section of Part 2 in the maturity ladder in the relevant time band, provided that there is not reasonable doubt over the receipt of those inflows. Where reasonable doubt exists, the institution should report these flows in the 'overdue' timeband in the main body of the form; they should not be entered here until the due date for payment has passed.

Part 3: Behavioural basis

Institutions should complete specific items in this section in appropriate cases only. Such cases should be agreed in advance with the FSA.

E1A-E5D/F1A-F6D INFLOWS / OUTFLOWS

Institutions should report in this section cashflows after adjustment for the behavioural patterns they expect to occur. Where a reporting institution considers an adjustment is appropriate, it should approach its supervisor who will consider proposed adjustments on an individual institution basis. Institutions should be able to provide empirical evidence to support the adjustments they propose. No institution should make behavioural adjustments without the prior written agreement of the FSA.

Where behavioural adjustments are agreed, the reporting institution should report, in the relevant line of Part 3, all the data reported in the equivalent line in Part 2 but adjusted as agreed between the reporting institution and the FSA.

For example, if an institution has one class of no notice accounts which sum to £50mn, and another class of no notice accounts which sum to £30mn, a figure of £80mn will be shown in the appropriate line in Part 2 as a 'demand' outflow. However, the deposits in the first class of account are relatively 'sticky' and a behavioural adjustment is agreed to reflect this. For the purposes of this example, the reporting institution may treat 50% of these outflows as occurring in the 'eight days and under (excl. next day)' timeband. In Part 3, this reporting institution will therefore report a demand outflow of £55mn and an 'eight days and under (excl. next day)' outflow of £25mn. Part 2 will, of course, continue to show a demand outflow of £80mn.

Part 4: Calculation of mismatches and exceptions reporting

Calculation of mismatches

Institutions should monitor compliance with their liquidity mismatch guidelines each business day and should report in this section the mismatch on the reporting date, using the data from the previous parts of the return. Where component boxes of this section relate back to an item in the previous three parts of the return, this is clearly shown in the list of validations. The components then sum to form the mismatches for each period.

All mismatch percentages (lines G5A and G8C and also columns 2 and 3 of the Exceptions) should be reported to two decimal places. For example, where an institution had a mismatch of -5%, it should be reported as -5.00 on the form. There is no limit to the size of the field.

The figures that are entered in items G6D, G7C and G7E should be shown to two decimal places. Thus, if it had been agreed that 15% of undrawn commitments to lend should be included in the 'demand' column, 15.00 should be entered in item G7C.

In order for the forms to be processed, mismatch calculations should be completed on both the contractual basis and the behaviourally adjusted basis, even if the final figures (in G5A and G8C) will be the same. Institutions should only enter figures in line G6D if figures have previously been agreed with the supervisors: if no figures have been agreed, line G6C should be blank. If no behavioural adjustments have been agreed for lines G7C or G7E, institutions should enter the figure 15.00 in these boxes (assuming they have figures in items D1D or D1E respectively, otherwise the items should remain blank). This will enable them to include the default adjustment of 15% to lines D1D or D1E, mirroring that part of the mismatch calculation on the contractual basis.

Exceptions reporting

Institutions are expected to stay within their liquidity mismatch guidelines. Where an institution exceeds its guideline during the reporting period, it should contact the supervisor to inform them of any exception as soon as it occurs. Such breaches should also be reported on this return in the 'Exceptions to guidelines' section.

Dates should be reported in 'ddmm' format, so for example, 18 June would be shown as 1806. Percentages should be reported to two decimal places, so that -5% would be reported as –5.00. Where an institution has an exception to their guideline which lasts longer than one day, it should report each consecutive day's exception separately on the form, ie an exception running from 18 until 20 June would be reported as 18, 19 and 20 June, not 18 and 20 June.

<u>Part 5: Deposit concentration</u>

EEA banks, as defined in the Handbook Glossary of Definitions, are not required to complete any part of Part 5 of this form.

Part A Large Deposits

List all deposits which, at the reporting date, exceed 2% of total deposit liabilities (reported in item D1F). For this part of the form, 'deposits' includes any interbank loans received by the reporting institution. Exclude liabilities under sale and repurchase agreements.

Where a particular deposit, which exceeded the 2% limit during the reporting period, has been withdrawn by the reporting date, the institution need not report this deposit. If, however, the deposit remains (although for a lower amount), the institution should report the deposit on this part of the form.

Where the same depositor/lender has made more than one deposit/loan, or where depositors/lenders are closely related, the deposits/loans should be aggregated for the purpose of this return. (Where an individual deposit comprises 25% or more of the aggregate for a counterparty and has a different maturity or currency from the remainder, it should be reported separately and bracketed.)

When the reporting institution acts as agent in its receipt of funds and these funds are never reported on the institution's balance sheet, they should be excluded from this return.

Where fiduciary/agency funds are received from another institution, reporting institutions should consider deposit size in relation both to the depositing institution and (where possible) to the originator of the deposits. Where this leads to double counting - ie a deposit is included both under the originator's name and under the name of an institution handling fiduciary/agency funds - reporting institutions should indicate this by showing which part of the originator's deposit is already recorded and under what name.

Part B Client Money and Mandated Accounts Held

List the total amounts of client money and mandated accounts held.

REPOS

MARKETABLE ASSETS

	Marketable asset leg (lent out)	Cash Leg (Received)
IF MARKETABLE ASSET > 1 MONTH RESIDUAL MATURITY		
Start	Cease to be reported as owned by institution. Cease to be reported in Part 1 as marketable asset.	Report according to use of funds subsequent to repo. *Timeband – according to date of contract re the subsequent use, not the date of the repo.*
During life of repo	Report discounted marked-to-market value of asset in Part 2, item B2F(Repos/reverse repos) to reflect future inflow. *Timeband – corresponding to maturity of repo.*	Report full value of repo liability (future outflow of funds include interest) in Part 2, item C2G (Repos/reverse repos). *Timeband – maturity of repo.*
Maturity of repo	Day after maturity or at settlement date of the asset Report marked-to-market value of asset (& subsequent discounted value Col 3 & 4) in Part 1.	Day of maturity of repo Reduce Nostro balance Report in Part 2, item B2C (cash returned including interest).
IF A MARKETABLE ASSET < 1 MONTH RESIDUAL MATURITY		
Start	Cease to be reported as owned by institution. Cease to be reported in Part 2, item B2A (full marked-to-market value), or in Part 1 if agreed by the FSA.	Report according to use of funds subsequent to repo. *Timeband – according to date of contract re the subsequent use, not the date of the repo.*
During life of repo	Report full marked-to-market value of asset in Part 2, item B2F (Repos/reverse repos) to reflect future inflow. *Timeband – corresponding to residual maturity of asset.*	Report full value of the repo liability or the cash leg (future outflow of funds include interest) in Part 2, item C2G (Repos/reverse repos). *Timeband – maturity of repo.*
Maturity of repo	Day after maturity or more precisely at settlement date of the asset Report marked-to-market value of asset at residual maturity in Part 2, item C2A (Non-marketable securities and debt instruments and marketable assets maturing within one month) to reflect future outflow *Timeband - corresponding to residual maturity of asset (if in Part 2).*	Day of maturity of the repo Reduce Nostro balance Report in Part 2, item B2C (cash returned including interest).

REPOS

NON-MARKETABLE ASSETS

	Non-Marketable asset leg (lent out)	Cash Leg (Received)
Start	Cease to be reported as owned by institution. Cease to be reported in Part 2, item B2A (redemption* value).	Report according to use of funds subsequent to repo. *Timeband – according to date of contract re the subsequent use, not the date of the repo.*
During the life of repo	Report redemption* value of asset in Part 2, item B2F (Repos/reverse repos). *Timeband – corresponding to residual maturity of asset.*	Report full value of repo liability or cash leg (future outflow of funds include interest) in Part 2, item C2G (Repos/reverse repos). *Timeband – maturity of repo.*
Maturity of repo	Day after maturity or more precisely at settlement date of the asset Report redemption* value of asset at residual maturity in Part 2, item B2A (Non-marketable securities & debt instruments and marketable assets maturing within one month). *Timeband - corresponding to residual maturity of asset.*	Day of maturity of repo Reduce Nostro balance Report in Part 2, item B2C (cash returned including interest).

Undated Repo: Maturity of repo is minimum notice period required under terms of contract.

* **Where redemption value of the asset is unavailable or not appropriate (eg in the case of equities), report the book value.**

REVERSE REPOS

MARKETABLE ASSETS

	Marketable asset leg (Borrowed)	Cash leg (paid)
IF MARKETABLE ASSET > 1 MONTH RESIDUAL MATURITY		
Start	Report discounted marked-to-market value of asset received for period of reverse repo in Part 1.	Reflected by decrease in Nostro in Part 2, item B2C
During the life of reverse repo	Report discounted marked-to-market value of asset (to reflect future outflow of marketable asset) in Part 2, item C2G (Repos/reverse repos). *Timeband - day of maturity of*	Report full value of funds to be received include interest in Part 2, item B2F (Repo/Reverse repo) to reflect future inflow.

	reverse repo.	*Timeband – maturity of reverse repo*
Maturity of reverse repo	Day of maturity of reverse repo Cease to report discounted marked-to-market value of asset received under reverse repo in Part 1.	Day of maturity of reverse repo Increase in Nostro balance Report in Part 2, item B2C (cash received including interest).
IF MARKETABLE ASSET < 1 MONTH RESIDUAL MATURITY		
Start	Report marked-to-market value of marketable asset received for period of reverse repo in Part 2, item B2A(Non-marketable securities and debt instruments & marketable assets maturing within one month). *Timeband - residual maturity of assets received (if in Part 2).*	Reflected by decrease in Nostro Report in Part 2, item B2C.
During the life of reverse repo	Report full marked-to-market value of asset (to reflect future outflow of marketable asset) in Part 2, item C2G (Repos/reverse repos). *Timeband - maturity of reverse repo.*	Report full value of funds to be received including interest in Part 2, item B2F (Repos/reverse repos). *Timeband – maturity of reverse repo.*
Maturity of reverse repo	Day of maturity of reverse repo Cease to report mart-to-market value of asset received under reverse repo in Part 1 or Part 2.	Day of maturity of reverse repo Increase in Nostro balance Report in Part 2, item B2C (cash received including interest).

REVERSE REPO

NON-MARKETABLE ASSETS

	Non-Marketable asset leg (Borrowed)	**Cash Leg (Paid)**
Start	Report redemption* value of non-marketable asset received for period of reverse repo in Part 2: 'Non-marketable securities and debt instruments & marketable assets maturing within one month'. *Timeband - at residual maturity of assets received.*	Reflected by decrease in Nostro Report in Part 2, item B2C.
During life of reverse repo	Report full redemption* value of asset (to reflect outflow of non-marketable asset) in Part 2, item C2G (Repo/Reverse repo). *Timeband – maturity of reverse repo.*	Report full value of funds to be received including interest in Part 2, item B2F (Repos/reverse repos). *Timeband - maturity of repo.*
Maturity of reverse repo	Day of maturity of reverse repo Cease to report redemption* value of asset received under reverse repo in Part 2.	Day of maturity of reverse repo Increase in Nostro balance Report in Part 2, item B2C (cash received including interest).

Undated reverse repo: Assume institution has security indefinitely and repo does not as such have a maturity. Return to show decrease in Nostro balance in item B2B and an increase in stock of marketable (non-marketable) assets. Nothing further need be reported until the maturity of the reverse repo is known.

* **Where redemption value of the asset is unavailable or not appropriate (eg in the case of equities), report the book value.**

FORM LR - LIQUIDITY RETURN

GENERAL

Ref No	Item Number	
G1	FSA	> 0 **(Introduced in SRN/2001/2, Effective December 2001)**

PART 1: MARKETABLE ASSETS

Ref No	Item Number	
1	A2A01 + (A2A02 * 0.80)	= A2A03 + A2A04
2	(A2B01 * 0.95) + (A2B02 * 0.75)	= A2B03 + A2B04
3	(A2C01 * 0.90) + (A2C02 * 0.70)	= A2C03 + A2C04
4	(A2D01 * 0.95) + (A2D02 * 0.75)	= A2D03 + A2D04
5	(A2E01 * 0.90) + (A2E02 * 0.70)	= A2E03 + A2E04
6	(A2F01 * 0.85) + (A2F02 * 0.65)	= A2F03 + A2F04
7	(A3A01 + A3A02) * 0.80	= A3A03 + A3A04
8	(A3B01 + A3B02) * 0.70	= A3B03 + A3B04
9	(A3C01 + A3C02) * 0.60	= A3C03 + A3C04
10	(A3D01 + A3D02) * 0.70	= A3D03 + A3D04
11	(A3E01 + A3E02) * 0.60	= A3E03 + A3E04
12	(A3F01 + A3F02) * 0.50	= A3F03 + A3F04
13		Replaced by Part 1 Marketable Assets Validation 17, SRN 1999/5
14	(A5A01 * 0.80) + (A5A02 * 0.60)	= A5A03 + A5A04
15	A6A03	= A1A03 + A2A03 + A2B03 + A2C03 + A2D03 + A2E03 + A2F03 + A3A03 + A3B03 + A3C03 + A3D03 + A3E03 + A3F03 + A4A03 + A5A03
16	A6A04	= A2A04 + A2B04 + A2C04 + A2D04 + A2E04 + A2F04 + A3A04 + A3B04 + A3C04 + A3D04 + A3E04 + A3F04 + A4A04 + A5A04
17	(A4A01 * 0.80) + (A4A02 * 0.60)	= A4A03 + A4A04 (introduced SRN 1999/5)

PART 2: CONTRACTUAL BASIS

INFLOWS

Ref No	Item Number	
1		Replaced by validation 53 from August 2000
2		Replaced by validation 54 from August 2000
3	B5A03	= B1A03 + B1B03 + B1D03 + B1E03 + B1F03 + B2A03 + B2B03 + B2C03 + B2D03 + B2E03 + B2F03 + B2G03 + B3A03 + B3B03 + B3C03 + B3D03 + B4A03 + B4B03
4	B5A04	= B1A04 + B1B04 + B1D04 + B1E04 + B1F04 + B2A04 + B2B04 + B2C04 + B2D04 + B2E04 + B2F04 + B2G04 + B3A04 + B3B04 + B3C04 + B3D04 + B4A04 + B4B04
5	B5A05	= B1A05 + B1B05 + B1D05 + B1E05 + B1F05 + B2A05 + B2B05 + B2C05 + B2D05 + B2E05 + B2F05 + B2G05 + B3A05 + B3B05 + B3C05 + B3D05 + B4A05 + B4B05
6	B5A06	= B1A06 + B1B06 + B1D06 + B1E06 + B1F06 + B2A06 + B2B06 + B2C06 + B2D Col 6 + B2E06 + B2F06 + B2G06 + B3A06 + B3B06 + B3C06 + B3D06 + B4A06 + B4B06
7		Replaced by Part 2 Inflows validation 51, SRN 1999/3
8	B5A08	= B1A08 + B1B08 + B1D08 + B1E08 + B1F08 + B2A08 + B2B08 + B2C08 + B2D08 + B2E08 + B2F08 + B2G08 + B3A08 + B3B08 + B3C08 + B3D08 + B4A08 + B4B08

9	B5A09	= B1A09 + B1B09 + B1D09 + B1E09 + B1F09 + B2A09 + B2B09 + B2C09 + B2D09 + B2E09 + B2F09 + B2G09 + B3A09 + B3B09 + B3C09 + B3D09 + B4A09 + B4B09
10	B5A10	= B1A10 + B1B10 + B1D10 + B1E10 + B1F10 + B2A10 + B2B10 + B2C10 + B2D10 + B2E10 + B2F10 + B2G10 + B3A10 + B3B10 + B3C10 + B3D10 + B4A10 + B4B10
11	B5A11	= B1A11 + B1B11 + B1D11 + B1E11 + B1F11 + B2A11 + B2B11 + B2C11 + B2D11+ B2E11 + B2F11 + B2G11 + B3A11 + B3B11 + B3C11 + B3D11 + B4A11 + B4B11
12	B1A07	= B1A01 + B1A02 + B1A03 + B1A04 + (IF BCF05 = 1 ADD B1A05) + (IF BCF06 = 1 ADD B1A06)
13	B1A11	= (IF BCF05 = 0 ADD B1A05) + (IF BCF06 = 0 ADD B1A06) + B1A08 + B1A09 + B1A10
14	B1B07	= B1B01 + B1B02 + B1B03 + B1B04 + (IF BCF05 = 1 ADD B1B05) + (IF BCF06 = 1 ADD B1B06)
15	B1B11	= (IF BCF05 = 0 ADD B1B05) + (IF BCF06 = 0 ADD B1B06) + B1B08 + B1B09 + B1B10
16	B1C07	= B1C01 + B1C02
17	B1D07	= B1D01 + B1D02 + B1D03 + B1D04 + (IF BCF05 = 1 ADD B1D05) + (IF BCF06 = 1 ADD B1D06)
18	B1D11	= (IF BCF05 = 0 ADD B1D05) + (IF BCF06 = 0 ADD B1D06) + B1D08 + B1D09 + B1D10
19	B1E07	= B1E01 + B1E02 + B1E03 + B1E04 + (IF BCF05 = 1 ADD B1E05) + (IF BCF06 = 1 ADD B1E06)
20	B1E11	= (IF BCF05 = 0 ADD B1E05) + (IF BCF06 = 0 ADD B1E06) + B1E08 + B1E09 + B1E10
21	B1F07	= B1F01 + B1F02 + B1F03 + B1F04 + (IF BCF05 = 1 ADD B1F05) + (IF BCF06 = 1 ADD B1F06)

22	B1F11	= (IF BCF05 = 0 ADD B1F05) + (IF BCF06 = 0 ADD B1F06) + B1F08 + B1F09 + B1F10
23	B2A07	= B2A01 + B2A02 + B2A03 + B2A04 + (IF BCF05 = 1 ADD B2A05) + (IF BCF06 = 1 ADD B2A06)
24	B2A11	= (IF BCF05 = 0 ADD B2A05) + (IF BCF06 = 0 ADD B2A06) + B2A08 + B2A09 + B2A10
25	B2B07	= B2B01 + B2B02 + B2B03 + B2B04 + (IF BCF05 = 1 ADD B2B05) + (IF BCF06 = 1 ADD B2B06)
26	B2B11	= (IF BCF05 = 0 ADD B2B05) + (IF BCF06 = 0 ADD B2B06) + B2B08 + B2B09 + B2B10
27	B2C07	= B2C01 + B2C02 + B2C03 + B2C04 + (IF BCF05 = 1 ADD B2C05) + (IF BCF06 = 1 ADD B2C06)
28	B2C11	= (IF BCF05 = 0 ADD B2C05) + (IF BCF06 = 0 ADD B2C06) + B2C08 + B2C09 + B2C10
29	B2D07	= B2D01 + B2D02 + B2D03 + B2D04 + (IF BCF05 = 1 ADD B2D05) + (IF BCF06 = 1 ADD B2D06)
30	B2D11	= (IF BCF05 = 0 ADD B2D05) + (IF BCF06 = 0 ADD B2D06) + B2D08 + B2D09 + B2D10
31	B2E07	= B2E01 + B2E02 + B2E03 + B2E04 + (IF BCF05 = 1 ADD B2E05) + (IF BCF06 = 1 ADD B2E06)
32	B2E11	= (IF BCF05 = 0 ADD B2E05) + (IF BCF06 = 0 ADD B2E06) + B2E08 + B2E09 + B2E10
33	B2F07	= B2F01 + B2F02 + B2F03 + B2F04 + (IF BCF05 = 1 ADD B2F05) + (IF BCF06 = 1 ADD B2F06)
34	B2F11	= (IF BCF05 = 0 ADD B2F05) + (IF BCF06 = 0 ADD B2F06) + B2F08 + B2F09 + B2F10
35	B2G07	= B2G01 + B2G02 + B2G03 + B2G04 + (IF BCF05 = 1 ADD B2G05) + (IF BCF06 = 1 ADD B2G06)
36	B2G11	= (IF BCF05 = 0 ADD B2G05) + (IF BCF06 = 0 ADD B2G06) + B2G08 + B2G09 + B2G10

37	B3A07	= B3A01 + B3A02 + B3A03 + B3A04 + (IF BCF05 = 1 ADD B3A05) + (IF BCF06 = 1 ADD B3A06)
38	B3A11	= (IF BCF05 = 0 ADD B3A05) + (IF BCF06 = 0 ADD B3A06) + B3A08 + B3A09 + B3A10
39	B3B07	= B3B01 + B3B02 + B3B03 + B3B04 + (IF BCF05 = 1 ADD B3B05) + (IF BCF06 = 1 ADD B3B06)
40	B3B11	= (IF BCF05 = 0 ADD B3B05) + (IF BCF06 = 0 ADD B3B06) + B3B08 + B3B09 + B3B10
41	B3C07	=B3C01 + B3C02 + B3C03 + B3C04 +(IF BCF05 = 1 ADD B3C05) + (IF BCF06 = 1 ADD B3C06)
42	B3C11	= (IF BCF05 = 0 ADD B3C05) + (IF BCF06 = 0 ADD B3C06) + B3C08 + B3C09 + B3C10
43	B3D07	= B3D01 + B3D02 + B3D03 + B3D04 + (IF BCF05 = 1 ADD B3D05) + (IF BCF06 = 1 ADD B3D06)
44	B3D11	= (IF BCF05 = 0 ADD B3D05) + (IF BCF06 = 0 ADD B3D06) + B3D08 + B3D09 + B3D10
45	B4A07	= B4A01 + B4A02 + B4A03 + B4A04 + (IF BCF05 = 1 ADD B4A05) + (IF BCF06 = 1 ADD B4A06)
46	B4A11	= (IF BCF05 = 0 ADD B4A05) + (IF BCF06 = 0 ADD B4A06) + B4A08 + B4A09 + B4A10
47	B4B07	= B4B01 + B4B02 + B4B03 + B4B04 + (IF BCF05 = 1 ADD B4B05) + (IF BCF06 = 1 ADD B4B06)
48	B4B11	= (IF BCF05 = 0 ADD B4B05) + (IF BCF06 = 0 ADD B4B06) + B4B08 + B4B09 + B4B10
49	B5A07	= B5A01 + B5A02 + B5A03 + B5A04 + (IF BCF05 = 1 ADD B5A05) + (IF BCF06 = 1 ADD B5A06)
50	B5A11	= (IF BCF05 = 0 ADD B5A05) + (IF BCF06 = 0 ADD B5A06) + B5A08 + B5A09 + B5A10
51		Replaced by validation 55 from August 2000
52	B2H07	= B2H01 + B2H02 (from August 2000)
53	B5A01	= B1A01 + B1B01 + B1C01 + B1D01 + B1E01 + B1F01 + B2A01 + B2B01 + B2C01 + B2D01 + B2E01 + B2F01 + B2G01 + B2H01 + B3A01 + B3B01 + B3C01 + B3D01 + B4A01 + B4B01 (from August 2000)

54	B5A02	= B1A02 + B1B02 + B1C02 + B1D02 + B1E02 + B1F02 + B2A02 + B2B02 + B2C02 + B2D02 + B2E02 + B2F02 + B2G02 + B2H02 + B3A02 + B3B02 + B3C02 + B3D02 + B4A02 + B4B02 (from August 2000)
55	B5A07	= B1A07 + B1B07 +B1C07 + B1D07 + B1E07 + B1F07 + B2A07 + B2B07 + B2C07 + B2D07 + B2E07 + B2F07 + B2G07 + B2H07 + B3A07 + B3B07 + B3C07 + B3D07 + B4A07 + B4B07 (from August 2000)

OUTFLOWS

Ref No	Item Number	
1	C5A02	= C1A02 + C1B02 + C1C02 + C2A02 + C2B02 + C2C02 + C2D02 + C2E02 + C2F02 + C2G02 + C2H Col 2 + C3A02 + C3B02 + C3C02 + C3D02 + C4A02
2	C5A03	= C1A03 + C1C03 + C2A03 + C2B03 + C2C03 + C2D03 + C2E03 + C2F03 + C2G03 + C2H Col 3 + C3A03 + C3B03 + C3C03 + C3D03 + C4A03
3	C5A04	= C1A04 + C1C04 + C2A04 + C2B04 + C2C04 + C2D04 + C2E04 + C2F04 + C2G04 + C2H Col 4 +C3A04 + C3B04 + C3C04 + C3D04 + C4A04
4	C5A05	= C1A05 + C1C05 + C2A05 + C2B05 + C2C05 + C2D05 + C2E05 + C2F05 + C2G05 + C2H Col 5 + C3A05 + C3B05 + C3C05 + C3D05 +C4A05
5	C5A06	= C1A06 + C1C06 + C2A06 + C2B06 + C2C06 + C2D06 + C2E06 + C2F06 + C2G06 + C2H Col 6 + C3A06 + C3B06 + C3C06 + C3D06 + C4A06
6		Replaced by Part 2 Outflows validation 46, SRN 1999/3
7	C5A08	= C1A08 + C1C08 + C2A08 + C2B08 + C2C08 + C2D08 + C2E08 + C2F08 + C2G08 + C2H Col 8 + C3A08 + C3B08 + C3C08 + C3D08 + C4A08
8	C5A09	= C1A09 + C1C09 + C2A09 + C2B09 + C2C09 + C2D09 + C2E09 + C2F09 + C2G09 + C2H Col 9 + C3A09 + C3B09 + C3C09 + C3D09 + C4A09
9	C5A10	= C1A10 + C1C10 + C2A10 + C2B10 + C2C10 + C2D10 + C2E10 + C2F10 + C2G10 + C2H Col 10 +C3A10 + C3B10 + C3C10 + C3D10 + C4A10
10	C5A11	= C1A11 + C1C11 + C2A11 + C2B11 + C2C11 + C2D11 + C2E11 + C2F11 + C2G11 + C2H Col 11 + C3A11 + C3B11 + C3C11 + C3D11 + C4A11
11	C1A07	= C1A02 + C1A03 + C1A04 + (IF CCF05 = 1 ADD C1A05) + (IF CCF06 = 1 ADD C1A06)

12	C1A11	= (IF CCF05 = 0 ADD C1A05) + (IF CCF06 = 0 ADD C1A06) + C1A08 + C1A09 + C1A Co 10
13	C1B07	= C1B02
14	C1C07	= C1C02 + C1C03 + C1C04 + (IF CCF05 = 1 ADD C1C05) + (IF CCF06 = 1 ADD C1C06)
15	C1C11	= (IF CCF05 = 0 ADD C1C05) + (IF CCF06 = 0 ADD C1C06) + C1C08 + C1C09 + C1C10
16	C2A07	= C2A02 + C2A03 + C2A04 + (IF CCF05 = 1 ADD C2A05) + (IF CCF06 = 1 ADD C2A06)
17	C2A11	= (IF CCF05 = 0 ADD C2A05) + (IF CCF06 = 0 ADD C2A06) + C2A08 + C2A09 + C2A10
18	C2B07	= C2B02 + C2B03 + C2B04 + (IF CCF05 = 1 ADD C2B05) + (IF CCF06 = 1 ADD C2B06)
19	C2B11	= (IF CCF05 = 0 ADD C2B05) + (IF CCF06 = 0 ADD C2B06) + C2B08 + C2B09 + C2B10
20	C2C07	= C2C02 + C2C03 + C2C04 + (IF CCF05 = 1 ADD C2C05) + (IF CCF06 = 1 ADD C2C06)
21	C2C11	= (IF CCF05 = 0 ADD C2C05) + (IF CCF06 = 0 ADD C2C06) + C2C08 + C2C09 + C2C10
22	C2D07	= C2D02 + C2D03 + C2D04 + (IF CCF05 = 1 ADD C2D05) + (IF CCF06 = 1 ADD C2D06)
23	C2D11	= (IF CCF05 = 0 ADD C2D05) + (IF CCF06 = 0 ADD C2D06) + C2D08 + C2D09 + C2D10
24	C2E07	= C2E02 + C2E03 + C2E04 + (IF CCF05 = 1 ADD C2E05) + (IF CCF06 = 1 ADD C2E06)
25	C2E11	= (IF CCF05 = 0 ADD C2E05) + (IF CCF06 = 0 ADD C2E06) + C2E08 + C2E09 + C2E10
26	C2F07	= C2F02 + C2F03 + C2F04 + (IF CCF05 = 1 ADD C2F05) + (IF CCF06 = 1 ADD C2F06)
27	C2F11	= (IF CCF05 = 0 ADD C2F05) + (IF CCF06 = 0 ADD C2F06) + C2F08 + C2F09 + C2F10
28	C2G07	= C2G02 + C2G03 + C2G04 + (IF CCF05 = 1 ADD C2G05) + (IF CCF06 = 1 ADD C2G06)

29	C2G11	= (IF CCF05 = 0 ADD C2G05) + (IF CCF06 = 0 ADD C2G06) + C2G08 + C2G09 + C2G10
30	C2H Col 7	= C2H Col 2 + C2H Col 3 + C2H Col 4 + (IF CCF05 = 1 ADD C2H Col 5) + (IF CCF06 = 1 ADD C2H Col 6)
31	C2H Col 11	= (IF CCF05 = 0 ADD C2H Col 5) + (IF CCF06 = 0 ADD C2H Col 6) + C2H Col 8 + C2H Col 9 + C2H Col 10
32	C3A07	= C3A02 + C3A03 + C3A04 + (IF CCF05 = 1 ADD C3A05) + (IF CCF06 = 1 ADD C3A06)
33	C3A11	= (IF CCF05 = 0 ADD C3A05) + (IF CCF06 = 0 ADD C3A06) + C3A08 + C3A09 + C3A10
34	C3B07	= C3B02 + C3B03 + C3B04 + (IF CCF05 = 1 ADD C3B05) + (IF CCF06 = 1 ADD C3B06)
35	C3B11	= (IF CCF05 = 0 ADD C3B05) + (IF CCF06 = 0 ADD C3B06) + C3B08 + C3B09 + C3B10
36	C3C07	= C3C02 + C3C03 + C3C04 + (IF CCF05 = 1 ADD C3C05) + (IF CCF06 = 1 ADD C3C06)
37	C3C11	= (IF CCF05 = 0 ADD C3C05) + (IF CCF06 = 0 ADD C3C06) + C3C08 + C3C09 + C3C10
38	C3D07	= C3D02 + C3D03 + C3D04 + (IF CCF05 = 1 ADD C3D05) + (IF CCF06 = 1 ADD C3D06)
39	C3D11	= (IF CCF05 = 0 ADD C3D05) + (IF CCF06 = 0 ADD C3D06) + C3D08 + C3D09 + C3D10
40	C4A07	= C4A02 + C4A03 + C4A04 + (IF CCF05 = 1 ADD C4A05) + (IF CCF06 = 1 ADD C4A06)
41	C4A11	= (IF CCF05 = 0 ADD C4A05) + (IF CCF06 = 0 ADD C4A06) + C4A08 + C4A09 + C4A10
42	C5A07	= C5A02 + C5A03 + C5A04 + (IF CCF05 = 1 ADD C5A05) + (IF CCF06 = 1 ADD C5A06)
43	C5A11	= (IF CCF05 = 0 ADD C5A05) + (IF CCF06 = 0 ADD C5A06) + C5A08 + C5A09 + C5A10
44	CCF05	= BCF05
45	CCF06	= BCF06
46	C5A07	= C1A07 +C1B07 + C1C07 + C2A07 + C2B07 + C2C07 + C2D07 + C2E07 + C2F07 + C2G07 + C2H Col 7 + C3A07 + C3B07 + C3C07 + C3D07 + C4A07 (introduced SRN 1999/3, replacing validation 6)

PART 3: BEHAVIOURAL ADJUSTMENTS

Ref No	Item Number	
1	E1A09	= E1A01+ E1A02 + E1A03 + E1A04 + E1A05 + E1A06 + E1A07 + E1A08
2	E1B09	= E1B01+ E1B02 + E1B03 + E1B04 + E1B05 + E1B06 + E1B07 + E1B08
3	E1C09	= E1C01+ E1C02 + E1C03 + E1C04 + E1C05 + E1C06 +E1C07 + E1C08
4	E1D09	= E1D01+ E1D02 + E1D03 + E1D04 + E1D05 + E1D06 + E1D07 + E1D08
5	E1E09	= E1E01+ E1E02 + E1E03 + E1E04 + E1E05 + E1E06 + E1E07 + E1E08
6	E1F09	= E1F01+ E1F02 + E1F03 + E1F04 + E1F05 + E1F06 + E1F07 + E1F08
7	E2A09	= E2A01+ E2A02 + E2A03 + E2A04 + E2A05 + E2A06 + E2A07 + E2A08
8	E2B09	= E2B01+ E2B02 + E2B03 + E2B04 + E2B05 + E2B06 + E2B07 + E2B08
9	E3A09	= E3A01+ E3A02 + E3A03 + E3A04 + E3A05 + E3A06 + E3A07 + E3A08
10	F1A09	= F1A02 + F1A03 + F1A04 + F1A05 + F1A06 + F1A07 + F1A08
11	F1B09	= F1B02 + F1B03 + F1B04 + F1B05 + F1B06 + F1B07 + F1B08
12	F1C09	= F1C02 + F1C03 + F1C04 + F1C05 + F1C06 + F1C07 + F1C08
13	F2A09	= F2A02 + F2A03 + F2A04 + F2A05 + F2A06 +F2A07 + F2A08
14	F3A09	= F3A02 + F3A03 + F3A04 + F3A05 + F3A06 + F3A07 + F3A08
15	F4A09	= F4A02 + F4A03 + F4A04 + F4A05 + F4A06 + F4A07 + F4A08
16		Replaced by validation 45 from August 2000
17		Replaced by validation 46 from August 2000
18		Replaced by validation 47 from August 2000

19		Replaced by validation 48 from August 2000
20		Replaced by validation 49 from August 2000
21		Replaced by validation 50 from August 2000
22		Replaced by validation 51 from August 2000
23		Replaced by validation 52 from August 2000
24		Replaced by validation 53 from August 2000
25		Replaced by validation 65 from August 2000
26		Replaced by validation 66 from August 2000
27		Replaced by validation 67 from August 2000
28		Replaced by validation 68 from August 2000
29		Replaced by validation 69 from August 2000
30		Replaced by validation 70 from August 2000
31		Replaced by validation 71 from August 2000
32		Replaced by validation 72 from August 2000
33	E4A09	= E4A01+ E4A02 + E4A03 + E4A04 + E4A05 + E4A06 + E4A07 + E4A08 (from August 2000)
34	E4B09	= E4B01+ E4B02 + E4B03 + E4B04 + E4B05 + E4B06 + E4B07 + E4B08 (from August 2000)
35	E4C09	= E4C01+ E4C02 + E4C03 + E4C04 + E4C05 + E4C06 + E4C07 + E4C08 (from August 2000)
36	E4D09	= E4D01+ E4D02 + E4D03 + E4D04 + E4D05 + E4D06 + E4D07 + E4D08 (from August 2000)

37	E4E09	= E4E01+ E4E02 + E4E03 + E4E04 + E4E05 + E4E06 + E4E07 + E4E08 (from August 2000)
38	E4F09	= E4F01+ E4F02 + E4F03 + E4F04 + E4F05 + E4F06 + E4F07 + E4F08 (from August 2000)
39	E4G09	= E4G01+ E4G02 + E4G03 + E4G04 + E4G05 + E4G06 + E4G07 + E4G08 (from August 2000)
40	E4H09	= E4H01+ E4H02 + E4H03 + E4H04 + E4H05 + E4H06 + E4H07 + E4H08 (from August 2000)
41	E5A09	= E5A01+ E5A02 + E5A03 + E5A04 + E5A05 + E5A06 + E5A07 + E5A08 (from August 2000)
42	E5B09	= E5B01+ E5B02 + E5B03 + E5B04 + E5B05 + E5B06 + E5B07 + E5B08 (from August 2000)
43	E5C09	= E5C01+ E5C02 + E5C03 + E5C04 + E5C05 + E5C06 + E5C07 + E5C08 (from August 2000)
44	E5D09	= E5D01+ E5D02 + E5D03 + E5D04 + E5D05 + E5D06 + E5D07 + E5D08 (from August 2000)
45	E3A01	= E1A01 + E1B01 + E1C01 + E1D01 + E1E01 + E1F01 + E4A01 + E4B01 + E4C01 + E4D01 + E4E01 + E4F01 + E4G01 + E4H01 + E5A01 + E5B01 + E5C01 + E5D01 + E2A01 + E2B01 (from August 2000)
46	E3A02	= E1A02 + E1B02 + E1C02 + E1D02 + E1E02 + E1F02 + E4A02 + E4B02 + E4C02 + E4D02 + E4E02 + E4F02 + E4G02 + E4H02 + E5A02 + E5B02 + E5C02 + E5D02 + E2A02 + E2B02 (from August 2000)
47	E3A03	= E1A03 + E1B03 + E1C03 + E1D03 + E1E03 + E1F03 + E4A03 + E4B03 + E4C03 + E4D03 + E4E03 + E4F03 + E4G03 + E4H03 + E5A03 + E5B03 + E5C03 + E5D03 + E2A03 + E2B03 (from August 2000)
48	E3A04	= E1A04 + E1B04 + E1C04 + E1D04 + E1E04 + E1F04 + E4A04 + E4B04 + E4C04 + E4D04 + E4E04 + E4F04 + E4G04 + E4H04 + E5A04 + E5B04 + E5C04 + E5D04 + E2A04 + E2B04 (from August 2000)
49	E3A05	= E1A05 + E1B05 + E1C05 + E1D05 + E1E05 + E1F05 + E4A05 + E4B05 + E4C05 + E4D05 + E4E05 + E4F05 + E4G05 + E4H05 + E5A05 + E5B05 + E5C05 + E5D05 + E2A05 + E2B05 (from August 2000)
50	E3A06	= E1A06 + E1B06 + E1C06 + E1D06 + E1E06 + E1F06 + E4A06 + E4B06 + E4C06 + E4D06 + E4E06 + E4F06 + E4G06 + E4H06 + E5A06 + E5B06 + E5C06 + E5D06 + E2A06 + E2B06 (from August 2000)

51	E3A07	= E1A07 + E1B07 + E1C07 + E1D07 + E1E07 + E1F07 + E4A07 + E4B07 + E4C07 + E4D07 + E4E07 + E4F07 + E4G07 + E4H07 + E5A07 + E5B07 + E5C07 + E5D07 + E2A07 + E2B07 (from August 2000)
52	E3A08	= E1A08 + E1B08 + E1C08 + E1D08 + E1E08 + E1F08 + E4A08 + E4B08 + E4C08 + E4D08 + E4E08 + E4F08 + E4G08 + E4H08 + E5A08 + E5B08 + E5C08 + E5D08 + E2A08 + E2B08 (from August 2000)
53	E3A09	= E1A09 + E1B09 + E1C09 + E1D09 + E1E09 + E1F09 + E4A09 + E4B09 + E4C09 + E4D09 + E4E09 + E4F09 + E4G09 + E4H09 + E5A09 + E5B09 + E5C09 + E5D09 + E2A09 + E2B09 (from August 2000)
54	F5A09	=F5A02 + F5A03 + F5A04 + F5A05 + F5A06 + F5A07 + F5A08 (from August 2000)
55	F5C09	=F5C02 + F5C03 + F5C04 + F5C05 + F5C06 + F5C07 + F5C08 (from August 2000)
56	F5D09	=F5D02 + F5D03 + F5D04 + F5D05 + F5D06 + F5D07 + F5D08 (from August 2000)
57	F5E09	=F5E02 + F5E03 + F5E04 + F5E05 + F5E06 + F5E07 + F5E08 (from August 2000)
58	F5F09	=F5F02 + F5F03 + F5F04 + F5F05 + F5F06 + F5F07 + F5F08 (from August 2000)
59	F5G09	=F5G02 + F5G03 + F5G04 + F5G05 + F5G06 + F5G07 + F5G08 (from August 2000)
60	F5H09	=F5H02 + F5H03 + F5H04 + F5H05 + F5H06 + F5H07 + F5H08 (from August 2000)
61	F6A09	=F6A02 + F6A03 + F6A04 + F6A05 + F6A06 + F6A07 + F6A08 (from August 2000)
62	F6B09	=F6B02 + F6B03 + F6B04 + F6B05 + F6B06 + F6B07 + F6B08 (from August 2000)
63	F6C09	=F6C02 + F6C03 + F6C04 + F6C05 + F6C06 + F6C07 + F6C08 (from August 2000)
64	F6D09	=F6D02 + F6D03 + F6D04 + F6D05 + F6D06 + F6D07 + F6D08 (from August 2000)
65	F4A02	= F1A02 + F1B02 + F1C02 + F5A02 + F2A02 + F5C02 + F5D02 + F5E02 + F5F02 + F5G02 + F5H02 + F6A02 + F6B02 + F6C02 + F6D02 + F3A02 (from August 2000)
66	F4A03	= F1A03 + F1B03 + F1C03 + F5A03 + F2A03 + F5C03 + F5D03 + F5E03 + F5F03 + F5G03 + F5H03 + F6A03 + F6B03 + F6C03 + F6D03 + F3A03 (from August 2000)

67	F4A04	= F1A04 + F1B04 + F1C04 + F5A04 + F2A04 + F5C04 + F5D04 + F5E04 + F5F04 + F5G04 + F5H04 + F6A04 + F6B04 + F6C04 + F6D04 + F3A04 (from August 2000)
68	F4A05	= F1A05 + F1B05 + F1C05 + F5A05 + F2A05 + F5C05 + F5D05 + F5E05 + F5F05 + F5G05 + F5H05 + F6A05 + F6B05 + F6C05 + F6D05 + F3A05 (from August 2000)
69	F4A06	= F1A06 + F1B06 + F1C06 + F5A06 + F2A06 + F5C06 + F5D06 + F5E06 + F5F06 + F5G06 + F5H06 + F6A06 + F6B06 + F6C06 + F6D06 + F3A06 (from August 2000)
70	F4A07	= F1A07 + F1B07 + F1C07 + F5A07 + F2A07 + F5C07 + F5D07 + F5E07 + F5F07 + F5G07 + F5H07 + F6A07 + F6B07 + F6C07 + F6D07 + F3A07 (from August 2000)
71	F4A08	= F1A08 + F1B08 + F1C08 + F5A08 + F2A08 + F5C08 + F5D08 + F5E08 + F5F08 + F5G08 + F5H08 + F6A08 + F6B08 + F6C08 + F6D08 + F3A08 (from August 2000)
72	F4A09	= F1A09 + F1B09 + F1C09 + F5A09 + F2A09 + F5C09 + F5D09 + F5E09 + F5F09 + F5G09 + F5H09 + F6A09 + F6B09 + F6C09 + F6D09 + F3A09 (from August 2000)

PART 4: CALCULATION OF LIQUIDITY MISMATCHES

Ref No	Item No	
1	G1B02	= B5A02
2	G1E02	= G1B02
3	G1A03	= A6A03
4	G1B03	= B5A02 + B5A03
5	G1E03	= G1A03 + G1B03
6	G1A04	= A6A03 + A6A04
7	G1B04	= B5A02 + B5A03 + B5A04
8	G1E04	= G1A04 + G1B04
9	G2A02	= C5A02
10	G2B02	= 15% x D1D
11	G2D02	= 15% x D1E
12	G2F02	= G2A02 + G2B02 + G2D02
13	G2A03	= C5A02 + C5A03
14	G2F03	= G2A03 + G2B02 + G2D02
15	G2A04	= C5A02 + C5A03 + C5A04
16	G2F04	= G2A04 + G2B02 + G2D02
17	G3A02	= G1E02 - G2F02
18	G4A02	= D1F
19		Replaced by validation 55, SRN/1999/4
20	G3A03	= G1E03 - G2F03
21		Replaced by validation 56, SRN/1999/4
22	G3A04	= G1E04 - G2F04
23		Replaced by validation 57, SRN/1999/4

24		Replaced by validation 70 from August 2000
25		Replaced by validation 61, SRN/1999/5
26	G6E02	= G6B02 + G6C02
27	G6A03	= A6A03
28		Replaced by validation 71 from August 2000
29		Replaced by validation 62, SRN/1999/5
30	G6E03	= G6A03 + G6B03 + G6C03
31	G6A04	= A6A03 + A6A04

32		Replaced by validation 72 from August 2000
33		Replaced by validation 63, SRN/1999/5
34	G6E04	= G6A04 + G6B04 + G6C04
35		Replaced by validation 73 from August 2000
36		Replaced by validation 64, SRN/1999/5
37		Replaced by validation 65, SRN/1999/5
38	G7F02	= G7A02 + G7B02 + G7D02
39		Replaced by validation 74 from August 2000

40		Replaced by validation 66, SRN/1999/5
41		Replaced by validation 67, SRN/1999/5
42	G7F03	= G7A03 + G7B03 + G7D03
43		Replaced by validation 75 from August 2000
44		Replaced by validation 68, SRN/1999/5
45		Replaced by validation 69, SRN/1999/5
46	G7F04	= G7A04 + G7B04 + G7D04
47	G8A02	= G6E02 - G7F02
48	G8B02	= D1F
49		Replaced by validation 58, SRN/1999/4
50	G8A03	= G6E03 - G7F03
51	G8B02	= G4A02
52		Replaced by validation 59, SRN/1999/4
53	G8A04	= G6E04 - G7F04
54		Replaced by validation 60, SRN/1999/4

55		Replaced by validation 85 from August 2000
56		Replaced by validation 86 from August 2000
57		Replaced by validation 87 from August 2000
58		Replaced by validation 88 from August 2000
59		Replaced by validation 89 from August 2000
60		Replaced by validation 90 from August 2000
61	G6C02	= if(G6D02 <> 0, then (G6D02 * D1C / 100) , else no validation) Introduced SRN/1999/5
62	G6C03	= if(G6D03 <> 0, then (G6D03 * D1C / 100), else no validation) Introduced SRN/1999/5
63	G6C04	= if(G6D04 <> 0, then (G6D04 * D1C / 100), else no validation) Introduced SRN/1999/5
64	G7B02	= if(G7C02 <> 0, then (G7C02 * D1D /100), else no validation) Introduced SRN/1999/5
65	G7D02	= if(G7E02 <> 0, then (G7E02 * D1E / 100), else no validation) Introduced SRN/1999/5
66	G7B03	= if(G7C03 <> 0, then (G7C03 * D1D / 100), else no validation) Introduced SRN/1999/5
67	G7D03	= if(G7E03 <> 0, then (G7E03 * D1E / 100), else no validation) Introduced SRN/1999/5
68	G7B04	= if(G7C04 <> 0, then (G7C04 * D1D / 100), else no validation) Introduced SRN/1999/5
69	G7D04	= if(G7E04<> 0, then (G7E04* D1E / 100), else no validation) Introduced SRN/1999/5

70	G6B02	= the components of G1B02 substituting, as agreed with supervisors, the individual items within E1A02—E1F02, E2A02—E2B02, E4A02—E4H02 and E5A02—E5D02 for the corresponding items in B1A02—B1F02, B4A02—B4B02, B2A02—B2G02, and B3A02—B3D02 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero[1] (from August 2000)
71	G6B03	= G6B02 + (the components of B5A03 substituting, as agreed with supervisors, the individual items within E1A03—E1F03, E2A03—E2B03, E4A03—E4H03 and E5A03—E5D03 for the corresponding items in B1A03—B1F03, B4A03—B4B03, B2A03—B2G03, and B3A03—B3D03 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero) (from August 2000)
72	G6B04	= G6B03 + (the components of B5A04 substituting, as agreed with supervisors, the individual items within E1A04—E1F04, E2A04—E2B04, E4A04—E4H04 and E5A04—E5D04 for the corresponding items in B1A04—B1F04, B4A04—B4B04, B2A04—B2G04, and B3A04—B3D04 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero) (from August 2000)

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[1] Expanding this to explain the logic (which also applies to validations 71-75 in Part 4), the figures are an adjustment of the contractual basis figures, hence G1B02 as the starting point in this validation. (The individual item making up G1B02 (validation 1 on LR/VAL 11) is in turn the sum of various items (validation 2 on LR/VAL 2).) Setting out the validation in detail gives:

G6B02 = G1B02 - B1A02 + if(E1A09 > 0, then E1A02, else B1A02)
- B1B02 + if(E1B09 > 0, then E1B02, else B1B02)
- B1C02 + if(E1C09 > 0, then E1C02, else B1C02)
- B1D02 + if(E1D09 > 0, then E1D02, else B1D02)
- B1E02 + if(E1E09 > 0, then E1E02, else B1E02)
- B1F02 + if(E1F09 > 0, then E1F02, else B1F02)
- B2A02 + if(E4A09 > 0, then E4A02, else B2A02)
- B2B02 + if(E4B09 > 0, then E4B02, else B2B02)
- B2C02 + if(E4C09 > 0, then E4C02, else B2C02)
- B2D02 + if(E4D09 > 0, then E4D02, else B2D02
- B2E02 + if(E4E09 > 0, then E4E02, else B2E02)
- B2F02 + if(E4F09 > 0, then E4F02, else B2F02)
- B2G02 + if(E4G09 > 0, then E4G02, else B2G02)
- B2H02 + if(E4H09 > 0, then E4H02, else B2H02)
- B3A02 + if(E5A09 > 0, then E5A02, else B3A02)
- B3B02 + if(E5B09 > 0, then E5B02, else B3B02)
- B3C02 + if(E5C09 > 0, then E5C02, else B3C02)
- B3D02 + if(E5D09 > 0, then E5D02, else B3D02)
- B4A02 + if(E2A09 > 0, then E2A02, else B4A02)
- B4B02 + if(E2B09 > 0, then E2B02, else B4B02)

73	G7A02	= the components of G2A02 substituting, as agreed with supervisors, the individual items within F1A02—F1C02, F5A02, F2A02, F5C02—F5H02, F6A02—F6D02 and F3A02 for the corresponding items in C1A02—C1C02, C2A02, C2B02, C2C02—C2H02, C3A02—C3D02 and C4A02 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero (from August 2000)
74	G7A03	= G7A02 + (the components of C5A03 substituting, as agreed with supervisors, the individual items within F1A03—F1C03, F5A03, F2A03, F5C03—F5H03, F6A03—F6D03 and F3A03 for the corresponding items in C1A03—C1C03, C2A03, C2B03, C2C03—C2H03, C3A03—C3D03 and C4A03 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero) (from August 2000)
75	G7A04	= G7A03 + (the components of C5A04 substituting, as agreed with supervisors, the individual items within F1A04—F1C04, F5A04, F2A04, F5C04—F5H04, F6A04—F6D04 and F3A04 for the corresponding items in C1A04—C1C04, C2A04, C2B04, C2C04—C2H04, C3A04—C3D04 and C4A04 respectively, for those lines where the figures in Part 3 Column 9 are greater than zero) (from August 2000)
76		**Replaced by validation 91, SRN/2001/2**
77		**Replaced by validation 92, SRN/2001/2**
78		**Replaced by validation 93, SRN/2001/2**
79		**Replaced by validation 94, SRN/2001/2**
80		**Replaced by validation 95, SRN/2001/2**
81		**Replaced by validation 96, SRN/2001/2**
82		**Replaced by validation 97, SRN/2001/2**
83		**Replaced by validation 98, SRN/2001/2**
84	G7E04	**Replaced by validation 99, SRN/2001/2**

85	G5A02	= ((G3A02/G4A02) x 100) ± 0.01, to 2 decimal places (from August 2000)
86	G5A03	= ((G3A03/G4A02) x 100) ± 0.01, to 2 decimal places (from August 2000)
87	G5A04	= ((G3A04/G4A02) x 100) ± 0.01, to 2 decimal places (from August 2000)
88	G8C02	= ((G8A02/G8B02) x 100) ± 0.01, to 2 decimal places (from August 2000)
89	G8C03	= ((G8A03/G8B02) x 100) ± 0.01, to 2 decimal places (from August 2000)
90	G8C04	= ((G8A04/G8B02) x 100) ± 0.01, to 2 decimal places (from August 2000)
91	G6D02	≤ 100 **(Introduced SRN/2001/2)**
92	G6D03	≤ 100 **(Introduced SRN/2001/2)**
93	G6D04	≤ 100 **(Introduced SRN/2001/2)**
94	G7C02	≤ 100 **(Introduced SRN/2001/2)**
95	G7C03	≤ 100 **(Introduced SRN/2001/2)**
96	G7C04	≤ 100 **(Introduced SRN/2001/2)**
97	G7E02	≤ 100 **(Introduced SRN/2001/2)**
98	G7E03	≤ 100 **(Introduced SRN/2001/2)**
99	G7E04	≤ 100 **(Introduced SRN/2001/2)**

M1 REPORTING INSTRUCTIONS

This form should be completed by institutions which report either on a solo or a consolidated basis and:

i) have agreed a "Trading Book concession" with the FSA, in which case Section 1 should be completed; or

ii) have "qualifying holdings[1]" in non-financial companies, in which case Section 2 should be completed.

For convenience, these instructions refer to the FSA Banking Supervisory Policy Guide as 'FSA Policy Guide', and the Interim Prudential Sourcebook for Banks as 'IPRU (BANK)'.

Trading Book concessions

Banks which hold the capital instruments of other banks and financial institutions[2] should deduct these unless they are covered by a Trading book concession. They should also deduct holdings of their own group capital instruments. The following items may give rise to a deduction but (i) to (iii) and (vi) are capable of being covered by a Trading Book concession:

(i) all long, physical positions in instruments which are included in the capital of the issuing credit or financial institution (including such instruments sold under sale and repurchase or similar agreements, instruments carrying third party guarantees (including central government guarantees), depository receipts, and net commitments[3] to underwrite new issues of such instruments (from working day zero));

(ii) all indirect holdings of credit or financial institution's capital taken via instruments issued by their holding companies on behalf of such institutions. Also indirect holdings taken via instruments issued by vehicles whose business is exclusively or mainly to hold or repackage credit and/or financial institutions' capital instruments, unless the instruments are fully protected from any risk on the underlying capital instruments (the reporting institution should agree such cases with the FSA);

(iii) equity holdings in investment trusts, and holdings of units in unit trusts, mutual funds or other investment vehicle established exclusively or mainly to hold credit or financial institutions' capital instruments;

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[1] As defined in The Banking Consolidation Directive (2000/12/EC).

[2] This should be taken to mean instruments which are included in the supervisory capital of the issuing credit or financial institution by its supervisory body. The term financial institution for the purposes of this notice should be defined as a directly-supervised financial institution or a financial holding company above a supervised financial institution whose exclusive or main business is to carry out (or is connected with) one or more of the activities listed in points 2-12 in Annex I to The Banking Consolidation Directive (2000/12/EC); see Section 10, Chapter CA (Definition of capital) of the FSA Policy Guide /IPRU (BANK). Parent companies which are primarily engaged in commercial activities but which have a supervised financial subsidiary do not fall within the definition of a financial institution.

[3] The scaling factors set out in Chapter TU (Underwriting in the Capital Adequacy Framework) of the FSA Policy Guide/IPRU (BANK) may be applied before deduction but only with the FSA's prior written agreement.

(iv) guarantees of other credit and financial institutions' capital instruments given by the reporting institution;

(v) guarantees given by the reporting institution which are included in the supervisory capital of another credit or financial institution; and

(vi) any other holdings of instruments of a capital nature relating to credit or financial institutions.

The policy on deductions is set out in Section 10, Chapter CA (Definition of capital) in the FSA Policy Guide/IPRU (BANK). Where reporting institutions are unsure whether a deduction should be made from capital they should refer to their supervisory analyst.

Qualifying holdings

The Banking Consolidation Directive (2000/12/EC) requires deductions from capital in respect of material holdings in certain companies which exceed a given threshold. A reporting institution's holding constitutes a 'qualifying holding' if it is:

> a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which the holding subsists.

Deductions are not necessary when shares are not financial fixed assets, the shares are held in the normal course of underwriting or if the shares are held in the bank's name on behalf of others. In addition, the FSA may agree that non-deduction is appropriate where shares are held temporarily during a financial reconstruction or rescue operation.

The policy on qualifying holdings is outlined in Chapter CA (Definition of capital), Section 10, of the FSA Policy Guide/IPRU (BANK).

SECTION 1: Holdings in credit and financial institutions' capital instruments

10 Record whether the reporting institution has agreed with the FSA that a Trading Book concession should apply.

20 Record the amount of the Trading Book concession. This will normally be set as a percentage of the previous period's capital base.

30 Record whether a concession to hold own group paper has been agreed with the FSA.

40 Record the amount of the own group paper concession. This concession will normally be a sub component of 20.

50-70 Total amount of credit and financial institutions' capital instruments held

50 Total amount held

Include the total value of the reporting institution's holdings of capital instruments (whether or not they fall within the reporting institution's Trading Book concession and whether or not issued by own institution or another). Institutions whether reporting on a solo or consolidated basis should exclude investments in respect of unconsolidated subsidiaries and associates which are subject to deduction elsewhere. Holdings will generally be recorded at book value but scaling factors may be applied to underwriting positions (see below). This treatment should be agreed with the FSA before being adopted. No allowance should be made for any amortisation applied by issuers of bank or financial institution capital in meeting their own supervisory requirements.

The sum of items 60 and 70 should equal item 50.

60 Banking Book

Include all holdings of credit and financial institutions' capital instruments and capital related guarantees in the Banking Book (whether relating to own institution or others).

70 Trading Book

Include all capital items held in the Trading Book relating to banks and financial institutions. The figures cited here may differ from those recorded under item A170 of the BSD3 since amounts recorded under the latter item will be at book value and will not include holdings of own institution Tier 1.

The sum of items 70.1, 70.2, 70.3 and 70.4 should equal item 70.

70.1 Other institutions' paper eligible for a Trading Book concession

Include all holdings of capital instruments relating to other credit and financial institutions which are not part of own group. Include net underwriting commitments; where the FSA has agreed to the scaling factors set out in Chapter TU (Underwriting in the capital adequacy framework) of the FSA Policy Guide/IPRU (BANK), the discounted value of any commitment should be applied. At a <u>consolidated</u> level, where own group equity is held solely as a result of a designated equity index arbitrage trading, it may be classified as equivalent to paper belonging to other institutions; other holdings of own group paper should not be reported here but in 70.2, 70.3 or 70.4 as appropriate. This treatment should be agreed with the FSA before being adopted.

70.2 Holdings eligible for own group concession

For solo reporting institutions with an own group concession, include any paper issued by sister or parent undertakings within own group. This treatment should be agreed with the FSA before being adopted. Do not report here holdings of own institution paper and holdings of capital instruments issued by subsidiaries or associate companies in which a participating interest is held.

All own group paper held at a consolidated level should be deducted and should be reported under 70.3 or 70.4 as appropriate.

70.3 Paper not eligible for Trading Book concession (and deductible from Tiers 1 + 2)

At a solo level, include all holdings of own institution Tier 2 paper, capital instruments issued by subsidiaries and associate companies in own consolidated group in which a participating interest is held. Include any other instruments which are not eligible for a Trading Book concession.

At a consolidated level, include all holdings of consolidated group paper contributing to Tier 2 capital. Include any other instruments which are ineligible for a concession. Own group equity held solely as a result of designated equity index arbitrage trading at a consolidated level may be classified as paper belonging to other institutions (item 70.1). This treatment should be agreed with the FSA before being adopted. Holdings of own group paper taken via subsidiaries consolidated via the aggregation plus methodology should be included here.

70.4 Holdings of own Tier 1 instruments (and deductible from Tier 1)

At a solo level, include all holdings of own institution Tier 1 instruments.

At a consolidated level, include all holdings of instruments which contribute to consolidated Tier 1 capital. Where a bank or consolidated group holds capital instruments which are included in its Tier 1 capital, the value of these should be deducted from Tier 1 directly. Holdings taken through equity index arbitrage may be treated as equivalent to other banks' paper (and included under item 70.1). This treatment should be agreed with the FSA before being adopted.

80 Holdings in excess of 10% of other credit and financial institutions' capital

List all credit and financial institutions in which the reporting institution has direct or indirect holdings which amount to more than 10% of the acquired institutions' capital; this calculation may be based on information contained in public financial statements. Identify both the total value of the holdings and the amount by which they exceed 10% of the other credit or financial institutions' capital. Where banks have more than 10 such holdings, they may aggregate the smallest holdings (by value) and record the total under 80.10.

90-130 Total amounts to be deducted from Tier 1 and Tier 2 capital or non-deductible

90 Banking Book (on-balance sheet deductions)

Report the total amount of Banking Book holdings of capital instruments to be deducted from Tier 1 and Tier 2 capital at the reporting date. Banking Book deductions from Tiers 1 and 2 will normally equal item 60 less any guarantees of other banks' or financial institutions' capital instruments or the provision of any guarantees which are included as part of the supervisory capital of another bank or financial institution, which are reported at item 100 below. [It is assumed that any purchases of own Tier 1 instruments not held for trading purposes would be cancelled; such instruments should not in any case be included here but should be deducted from Tier 1 capital on the form BSD3.] This figure should be reported on line A171 of BSD3.

100 Banking book (off-balance sheet - deductions)

Report guarantees of other banks' or financial institutions' capital instruments or the provision of any guarantees which are included as part of the supervisory capital of another bank or financial institution. Guarantees should not be held in the Trading Book. The amount reported here should be included in line A340.6 of the form BSD3.

The total of items 90, 100 and 120 will equal item 60.

110 Trading Book (deductions)

Report the total amount of Trading Book holdings deducted from Tier 1 and Tier 2 capital at the reporting date. Banks should follow methodology (a) or (b) below depending on whether they have any holdings listed under item 80 above in the Trading Book. This figure should be recorded on line A171 of the form BSD3.

a) For institutions with no holdings listed under item 80 (holdings in excess of 10%):

First, determine the positive excesses, if any, of (i) items 70.1 <u>and</u> 70.2 combined over the Trading Book concession and (ii) item 70.2 over any Trading Book concession for own group paper. Take the larger of these excesses and add to item 70.3 (items not eligible for Trading Book concession) to give the overall amount to be deducted from Tiers 1 and 2. Holdings of own Tier 1 instruments should be deducted directly from Tier 1 and not from Tiers 1 and 2 combined.

b) For institutions with holdings listed under item 80 (holdings in excess of 10%):

All amounts in excess of 10% of the other credit and financial institutions' capital should be deducted. Where banks have such holdings in the Trading Book, adjustments may be made to the calculation of excesses over total and own paper Trading Book concessions under (a) above to avoid double deductions.

120 Banking Book (non deductible)

Capital items held in the Banking Book should be deducted other than in exceptional circumstances, such as when they are held temporarily for the purposes of a financial assistance operation. Such cases should be agreed with the FSA in advance. In such cases, the figure may be reported on line A172 of the form BSD3.

130 Trading Book (non deductible)

Include amounts under items 70.1 and 70.2 which fall within a Trading Book concession and which are not deductible by reason of being an excess included under item 80 above. Amounts recorded under both items 70.1 and 70.2 count towards the overall Trading Book concession. This amount should be reported on line A172 of the form BSD3.

140 Five largest holdings in credit and financial institutions, at reporting date

Include the five largest holdings (taking direct and indirect together) in credit and financial institutions, ranked by the value of holdings. Include holdings taken in the Banking and Trading Books. Include the name of the credit and financial institution and the book value of the reporting institution's holding. Banks may agree a de minimis reporting level with their line supervisor.

SECTION 2: Qualifying holdings in non-financial companies

150 Total amount of qualifying holdings

Include here the book value of all qualifying holdings in non-financial companies. Holdings in unconsolidated subsidiaries and associates in which there is a participating interest (under the Companies Act 1985), for which deductions are made elsewhere, need not be reported here. Institutions reporting on a consolidated basis should include holdings taken anywhere in the consolidated group, including holdings taken in subsidiaries consolidated using the aggregation-plus method. This sum should be reported on item A180 of the form BSD3 under Banking Book deductions.

160 Total amount of qualifying holdings in excess of 15% of capital

Sum the amounts by which any of the qualifying holdings reported in item 150 individually exceeds 15% of the reporting institution's Tier 1 and Tier 2 capital for the previous reporting period (adjusted for deductions for holdings of other credit and financial institutions' capital instruments).

170 Total amount of qualifying holdings in excess of 60% of capital

Include here the amount by which the aggregate of qualifying holdings reported in item 150 exceed 60% of the reporting institution's Tier 1 and Tier 2 capital for the previous reporting period (adjusted for deductions for holdings of other credit and financial institutions' capital instruments).

180 Total deduction to be made from capital

Include here the larger of items 160 and 170 above. This amount should be reported as deductible under item A180.4 of the form BSD3. Any qualifying holding which is not deducted should be recorded as a risk weighted amount under item A180 of the form BSD3.

FORM M1
HOLDINGS OF CREDIT AND FINANCIAL INSTITUTIONS' AND NON-FINANCIAL COMPANIES' CAPITAL INSTRUMENTS

INTERNAL VALIDATIONS

Ref no	item numbers	
1	50	= 60 + 70
2	70	= 70.1 + 70.2 + 70.3 + 70.4
3	80	= 80.01E + 80.02 E+ 80.03E + 80.04 E + 80.05E + 80.06E + 80.07E + 80.08E + 80.09E + 80.10E
4	110	≥ max {max[(70.1+70.2)-20, (70.2 - 40)], 0} + 70.3
5	120	= 60 - 90 - 100
6	130	= 70 - 70.4 - 100
7	150	> 160
8	150	> 170
9	180	= max (160, 170)
10	20	> 0 if item 10 = 1(yes), else 0 Introduced SRN/1999/4, effective March 2000
11	40	> 0 if item 30 = 1(yes), else 0 Introduced SRN/1999/4, effective March 2000
12	FSA	> 0 **(Introduced SRN/2001/2, effective December 2001)**

CROSS FORM VALIDATIONS : FORM M1 AND FORM BSD3

Ref no	M1 items	BSD3 items
1		Removed SRN/1998/5
2	180	= AB180.4
3		Removed SRN/1998/5
4		Removed SRN/1998/5
5		Superceded by validation 8, SRN/1998/4
6		Removed SRN/1998/5
7	130	= AT172
8		Removed SRN/1998/5

Sterling stock liquidity return (Form SLR1)

Only those banks which have been specifically requested by the Financial Services Authority (FSA) to complete this form, in place of the Form LR, should do so.

This return is used to calculate the level of sterling stock liquidity which the reporting institution should hold against its estimated outflow of funds arising from liabilities to wholesale and retail customers. This level should be maintained at all times. Unless otherwise agreed, the return should be completed on a consolidated basis. Where a bank wishes to report on a different basis this should be agreed in advance with the FSA.

These reporting instructions should be read in conjunction with the Supervisory Guidance Notes (SGN).

SLR1 item

1.0 **Sterling stock**

1.1 **Cash**

Include all sterling notes including Bank of England notes and also notes issued by the Scottish and Northern Irish banks. Include cash which the reporting institution has paid into another UK bank, EEA bank or UK branch of a bank established outside the EEA (as defined in the Handbook Glossary of Definitions), or the Banking Department of the Bank of England, which has not yet been credited to the reporting institution's account in the books of the other bank.

Holdings of gold sovereigns should be excluded.

1.2 **Operational balances with the Bank of England**

Enter balances with the Head Office of the Bank of England, except special deposits and cash ratio deposits, which should be excluded.

Amounts receivable under finance leases from the Bank of England should be excluded (in contrast to statistical reporting to the Bank of England).

1.3 **UK Treasury Bills**

Enter holdings of UK Treasury bills issued by H M Government. UK Treasury bills denominated in euros and Bills for which the Bank of England is obligor may also be included.

1.4 **Gilts**

Enter all holdings of sterling and foreign currency denominated stock issued by H M Government and the Irish land purchase stocks. Other British Government-guaranteed stocks should be excluded from this return.

1.5 **UK Bank bills eligible for rediscount at the Bank of England**

These comprise holdings of sterling bills irrespective of issuer which are both payable in the United Kingdom and have been accepted by eligible banks. A list of eligible banks is contained in SGN Appendix G.

1.6 **UK local authority bills eligible for rediscount at the Bank of England**

Local authorities are defined in SGN Appendix F.

1.8 **Other**

Institutions may, with the prior agreement of the FSA, include any of the following

- sterling international bonds issued by EEA governments and certain international financial institutions, where they have been issued directly into the Euroclear and Cedel settlement systems;
- sterling bonds ('bulldogs') of the same issuers, where they have been issued into (and are now held by) the CREST settlement system; and
- Euro denominated bonds of the same issuers where they are eligible for use in ESCB monetary policy operations.

You will find more detailed lists of all three categories of assets on the Bank of England's website under OMO on the "Eligible Securities" page (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm).

The FSA will automatically extend the list of assets that it considers appropriate for banks to count as 'sterling liquid assets' in line with the Bank of England's programme of extending its list of 'eligible securities', as described in its notice of 15 October 1998. The Bank will maintain updated lists of the relevant assets on its website.

The international financial institutions whose issues may be included are:

African Development Bank
Asian Development Bank
Council of Europe Social Development Fund
European Atomic Energy Community
European Bank for Reconstruction and Development
European Community
European Coal and Steel Community
European Investment Bank
Inter-American Development Bank
International Bank for Reconstruction and Development/World Bank
International Finance Corporation
Nordic Investment Bank

2.1 **Wholesale sterling net outflow limit over five working days**

Enter the institution's internal limit for the wholesale sterling net outflow over five working days. The limit should be agreed with the FSA. This should be the limit shown in the institution's most recent liquidity policy statement submitted to the FSA unless it has been agreed with the FSA that a different limit is appropriate. This limit should not be changed without the prior agreement of the FSA.

2.2 **Sterling Stock Floor over five working days**

Enter the floor for the sterling stock over five working days, as agreed with the FSA. Unless otherwise agreed, the floor should normally be the figure entered in item 2.1 multiplied by 0.5, rounded down to an integer where appropriate. The floor should not be changed without the prior agreement of the FSA.

3.0 **Wholesale sterling net outflow over five working days**

Include all deposits from banks and building societies taken via the institution's Treasury Division.

Include all other deposits of £1mn or more taken on wholesale market terms. For this purpose, wholesale deposits shall be defined as deposits closely related to money market operations which are made as a result of customers being offered a specific rate for a particular deposit for a particular period. This shall be taken to include interest-bearing funds deposited either at branches or direct with, for example, the bank's Treasury Division, on the strength of an interest rate quoted on enquiry on each occasion that a deposit is made.

Include sterling certificates of deposit maturing within five working days.

In normal circumstances, item 3 should not exceed item 2.1. Exceptions should be notified to the normal supervisory contact at the FSA unless the institution has enough surplus stock liquidity, over and above that needed to meet the LQR (item 6.0 below), to cover the excess. Where this is the case, the exception should not be reported to the FSA.

Any cases of doubt should be referred to the normal supervisory contact at the FSA.

4.1 **Sterling certificates of deposit held - total**

Exclude sterling certificates of deposit maturing within five working days which have been included in item 3.0 above.

If a reporting institution holds certificates of deposit which it has itself issued, these should be excluded from item 4.1.

Include negotiable deposits made on terms identical to those on which a certificate of deposit would have been issued, but for which it is mutually convenient not to issue a certificate.

4.3 **Total discounted certificates of deposit**

The figure should be rounded down, where appropriate, to an integer.

4.4 **Allowable certificates of deposit**

This figure should be calculated using the figure reported in 4.3 (after any rounding down). The limit, expressed as 50% of item 3.0, should also be rounded down if appropriate.

5.1 **Sterling retail deposits falling due in next five working days**

Include all retail deposits with a residual contractual maturity of five working days or less as at the reporting date. Deposits subject to a penalty on withdrawal should only be included if the residual contractual maturity is five working days or less.

For this purpose, retail deposits shall be defined as deposits which arise from customer acceptance of an advertised rate (including nil) for a particular product. This shall be taken to include deposits taken in a bank's branch network on the grounds of an existing or new customer relationship where the rates of interest are not directly linked to interbank rates, and are advertised or displayed at the branch counter or are part of standard tariff terms so that depositors can establish, without further enquiry, the rate applicable to each type of deposit.

Any cases of doubt should be referred to the normal supervisory contact at the FSA.

5.3 **Sterling retail deposits to be covered**

The figure should be rounded up, where appropriate, to an integer (being prudent).

6.0 **Sterling liquidity ratio (LQR)**

The sterling liquidity ratio should be 100% or more unless it is appropriate for the institution to maintain a lower ratio (such cases should be agreed with the FSA). The figure should be calculated to two decimal places (rounding .005 and above up, and below .005 down). The calculated figure should then be multiplied by 100 and reported on line 6.0 as integers.

Repo activity

Where gilts or other assets qualifying for inclusion in the sterling liquidity stock have been acquired as a result of entering into a repo or reverse repo transaction, they can be included in a bank's liquidity stock for the duration that they are held; conversely, the asset sold should be excluded until it is repurchased.

Breaches

Any breaches of the stock liquidity ratio should be reported immediately to the normal supervisory contact at the FSA.

FORM SLR1
STOCK LIQUIDITY RETURN

INTERNAL VALIDATIONS

Ref no	SLR1 Item No	
1	1.0	= 1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6 + 1.7 + 1.8
2	2.2	≤ 1.0
3	4.3	= 4.1 multiplied by 4.2, rounded down to an integer
4	4.4	≤ 3.0 / 2, rounded down to an integer
5	4.4	≤ 4.3
6	4.5	= 4.3 – 4.4
7	5.4	= 5.1 multiplied by 5.2, rounded up to an integer
8		Superceded by validation 9, SRN/1998/4
9	6.0	= If item 3.0 > 0, then (1.0 / (3.0 – 4.4 + 5.3)) multiplied by 100, to 2 decimal places (rounding 5 and over up, and under 5 down), then multiplied by 100, otherwise (1.0 / (zero – 4.4 + 5.3)) multiplied by 100, to 2 decimal places (rounding .005 and over up, and under .005 down), then multiplied by 100
10	FSA	> 0 **(Introduced SRN/2001/2, effective from 1 December 2001)**

Supervisory Guidance Notes (SGN)

1 The following guidance notes and the reporting instructions apply specifically to the supervisory returns contained in this folder (Annex 2 of *SUP*). They do not relate to the completion of the forms contained in the Bank of England's Banking Statistics Definitions folder. There are some common areas, nevertheless, where the definitions in the Bank's statistical folder apply equally to items reported in the supervisory returns. Thus, where no specific guidance is contained within these notes and definitions, reporting institutions should be guided by the Bank of England's Banking Statistics Definitions.

In these Guidance Notes, the term 'bank' is generally used to cover those institutions defined as a UK bank, an EEA bank or a bank established outside the EEA in the Handbook Glossary of Definitions, unless specified otherwise. In the case of the capital adequacy (BSD3), liquidity (LR) and large exposures (LE2) returns, it also covers building societies as defined in the Handbook Glossary of Definitions.

2 In general, supervisory returns should include all of the assets, liabilities and off-balance sheet items of the reporting institution (for Coverage see notes 3 & 4 below) and not only those related to its UK offices.

For convenience, these guidance notes refer to the FSA Banking Supervisory Policy Guide as 'FSA Policy Guide', and the Interim Prudential Sourcebook for Banks as 'IPRU (BANK)'.

2 a Whilst there are substantial advantages in preserving sterling as the sole reporting unit (particularly because of the complexity of the supervisory data), the FSA will observe similar standards to and practices of the Bank of England after the introduction of the single currency in January 1999. Institutions should note that the FSA and the Bank of England would expect the currency of reporting to be consistent between supervisory and statistical returns. Any institution with a strong business case for switching to reporting in euros should write to the Financial Risk Analysis and Monitoring Unit at the FSA.

Coverage

3 The reporting dates for the various supervisory returns are set out on the front of the individual forms and are summarised below. The reporting schedule for January 2001 to December 2001 is contained in Appendix I.

Frequency	**Report**	**Reporting dates**	**Basis of reporting**
Monthly	SLR1	Second Wednesday	Consolidated (unless agreed otherwise), UK banks
Quarterly	BSD3, M1	End calendar quarters, or at dates coinciding with the financial year end	Unconsolidated or solo consolidated, UK banks

	LE2	End calendar quarters, or at dates coinciding with the financial year end	Unconsolidated or solo consolidated and consolidated, UK banks
	LR	End February, May, August and November for Form BT monthly reporter, or end calendar quarters for Form BT quarterly reporter	Unconsolidated including any overseas branches or solo-consolidated if capital and large exposures are reported on a solo-consolidated basis (UK banks), or business conducted by EEA banks and banks established outside the EEA
Half yearly	BSD3, M1	End June and December, or at dates coinciding with the financial year end	Consolidated, UK banks
	B7	End June and December, or at dates coinciding with accounting periods	UK branches of banks incorporated outside the EEA[1] (banks established outside the EEA)

4 For certain returns, different reporting dates may be agreed with the FSA for those institutions with a financial year which does not coincide with an end calendar quarter date. The companies to be included in any solo consolidation or consolidation should be those agreed between the reporting institution and the FSA in accordance with Chapter CS (Consolidated supervision) of the FSA Policy Guide/IPRU (BANK).

Valuation

5 Outstanding liabilities and holdings of assets should normally be reported at the value outstanding in the reporting institution's books (ie book value), in accordance with the reporting institution's usual accounting practices. Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) are met, certain assets and liabilities may be netted for the purpose of calculating risk-weighted assets. However, reporting institutions should report in accordance with their statutory accounting practices - see example below. For positions held in the Trading Book, the reporting institution should report on a mark-to-market basis. Reporting institutions wishing to report on a different basis should agree this with the FSA. For valuation of interest and exchange rate contracts, see the Form BSD3 definitions for items A472 and A474.

[1] The EEA comprises the European Union and Norway, Iceland and Liechtenstein.

Netting Example

Consider assets of 100 and liabilities capable of being netted against those assets of 30. The terms of the relevant FSA Policy Guide/IPRU (BANK) have been met:

(i) If the reporting institution's statutory accounts record this situation as 70 of assets and no liabilities, then Section A of the Form BSD3 should show the same;

(ii) If the reporting institution's statutory accounts record this situation as 100 of assets and 30 of liabilities, then the Form BSD3 reporting should be: 70 of assets at the counterparty risk weight, 30 of assets at 0% risk weight and 30 of liabilities. This is in order to preserve the correspondence between statutory balance sheet footings and the unweighted BSD3 footings. The adjustment should be recorded in columns 1, 2 and 5 of Appendix A-III of the Form BSD3.

Specific provisions

6 All loans, advances, bills and securities (and also off-balance sheet items) reported on the capital adequacy returns should be included net of any specific or earmarked general provisions made. Off-balance sheet items should also be reported net of specific provisions, although the amount of such provisions should be included in item A750 on Form BSD3. For large exposures purposes, the exposures should be reported gross of provisions for bad and doubtful debts.

Accruals

7 In general, returns should be completed on an accruals rather than a cash basis. On the Form BSD3, such accruals should be shown, where possible, against the relevant category of counterparty for assets or under item A260 for accruals not specifically identified; accruals on liabilities should be included under item A760.2.

Maturity of assets and off-balance sheet items

8 Certain on- and off-balance sheet items should be reported according to their maturity. Liabilities and assets should be classified according to their remaining maturity ie on the basis of a residual maturity of one year or less or more than one year, and not according to their original maturity. Reporting institutions with non-resident offices may discuss the implications of this with the FSA if the reporting of exactly one year maturities are treated differently in the countries in which they are operating. Off-balance sheet commitments, on the other hand, should be reported according to their original maturity.

Exposures

9 An exposure is the Amount at Risk arising from the aggregate of the reporting bank's business, whether conducted on or off-balance sheet[2], as follows:

(1) Claims on a counterparty including actual claims, and potential claims which would arise from the drawing down in full of undrawn advised facilities (whether revocable or irrevocable, conditional or unconditional) which the bank has committed itself to provide, and claims which the bank has committed itself to purchase or underwrite. Typically these will be in the form of:

(a) all loans and advances (including overdrafts) however denominated;

(b) nostro accounts

(c) the net book value of finance leases, less deferred tax provided;

(d) discounted bills held;

(e) bonds, acceptances, promissory notes, loan stocks and other paper held;

(f) margin held with investment exchanges, their clearing houses or other counterparties;

(g) OTC futures (including forwards), options, swaps and similar contracts on interest rates, foreign currencies, equities, securities, commodities etc. (Note: foreign exchange related contracts should only be included if their original maturity was over 14 days.)

(h) claims arising in the course of settlement of a securities or other transactions;

(i) claims arising in the case of forward sales and purchases of instruments in both the Trading and Banking Books that either settle on a date beyond the market norm for that instrument or where the payment due is deferred until some future date;

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[2] NOTE : Exposures entered into by a bank as a trustee are excluded from the scope of the large exposures return.

(j) any commitment with a certain or uncertain drawdown entered into by the reporting bank. This should include amounts outstanding under:

- sale and repurchase agreements;
- forward asset purchase agreements;
- buy back agreements;
- forward forward deposits placed;
- the unpaid part of partly-paid shares.

(k) any other claims arising from similar transactions entered into by the reporting bank.

The following should be excluded:

(i) claims and other assets which have been deducted from the reporting bank's capital base in order to determine the capital base for the purpose of calculating capital ratios and reporting large exposures. Such deductions are listed in Section 10 of Chapter CA (Definition of capital) of the FSA Policy Guide/IPRU (BANK);

(ii) claims on group companies which are consolidated for the purpose of the reporting bank's solo reporting within the terms of the FSA Policy Guide/IPRU (BANK) on consolidated supervision (Chapter CS (Consolidated supervision), Section 9.2). The reporting institution should agree such cases with the FSA;

(iii) claims arising in the course of settlement of a foreign exchange transaction on a counterparty where the reporting institution has settled its side of the transaction but has not received the countervalue, for a period of up to 2 working days after payment was made. After this period such claims should be reported as an exposure;

(iv) in the case where an asset is traded, claims on the counterparty to the transaction which occur whilst the transaction is in the course of settlement where neither the reporting bank nor the counterparty have settled their side of the transaction, for a period of five working days after settlement was due. (*Amounts which have not been settled within 5 working days after the due date should, however, be reported as an exposure*.)

(v) counterparty risk on futures and options should not be reported where the contracts concerned are traded on exchanges subject to daily margining requirements. However, issuer risk on any underlying bonds/equities should be reported since the value of these contracts is dependent on the issuer's financial soundness. Where contracts relate to a broadly based cash settled index, no issuer risk need be reported.

(2) **Contingent liabilities arising in the normal course of business and those contingent liabilities which would arise from the drawing down in full of undrawn advised facilities[3] (whether revocable or irrevocable, conditional or unconditional) which the bank has committed itself to provide. This would include:**

(a) direct credit substitutes (including guarantees, standby letters of credit serving as financial guarantees, bills accepted by the reporting institution but not held by it, 'per aval' endorsements and other endorsements with equivalent effect);

(b) claims sold with recourse, where the credit risk remains with the reporting bank;

(c) transaction related contingents not having the character of direct credit substitutes (including tender and performance bonds, bid bonds, warranties, standby letters of credit related to particular transactions, retention money guarantees, import and export excise duty bonds, VAT bonds);

(d) undrawn documentary letters of credit issued or confirmed; and

(e) those arising from similar transactions entered into by the reporting bank.

The following should be excluded:

(i) indemnities in respect of lost share certificates and import/export carnets;

(ii) bill endorsements on bills already endorsed by another bank; and

(iii) where the reporting bank acts as a lessor, mortgagee, or owner of goods under a hire-purchase agreement, those contingent liabilities which may result from injuries, damage or loss suffered by third parties and caused by the goods.

[3] NOTE: For these purposes, facilities include overdraft, standby, revolving underwriting, and multiple option facilities and similar facilities provided by the reporting bank. It may be the practice for a bank or banking group to advise sub-limits within an overall facility limit for different types of business or to be advised by different branches or subsidiaries of the bank. These sub-limits may total more than the overall facility limit. In such cases, the exposure should be taken as the overall facility limit rather than the aggregate of the sub-limits.

(3) Assets, and assets which the bank has committed itself to purchase or underwrite, whose value depends wholly or mainly on a counterparty performing his obligations, or whose value otherwise depends on that counterparty's financial soundness but which do not represent a claim on the counterparty. This would include:

(a) equities, equity warrants and options which do not represent a claim on the issuer but whose value depends, inter alia, on the issuer's financial soundness.

10 For the purposes of determining **large exposures**, separate exposures granted to the same counterparty should be aggregated. Exposures to a number of individual counterparties should be aggregated and considered as a single exposure where those counterparties are financially connected with one another so that the financial soundness of one of them may affect the other or others. Exposures to a number of public sector bodies or local authorities should be reported as separate exposures. Exposures to individual counterparties within a group should be separately identified within their respective aggregates on the Form LE2. In the case of the B7, institutions should send these details directly to their supervisor and not include the breakdown on the Form itself.

Counterparties

11 A counterparty is a borrower from or customer of the reporting bank, or some other party to which the reporting bank is directly or indirectly exposed. In general, the identification of counterparties follows similar practice to that used in the Bank of England's statistical returns, and a copy of their guidance is reproduced in Appendix A. Exposures to the following categories of counterparties should be reported separately in both capital adequacy and large exposures returns:

<u>An individual non-bank counterparty</u>

An individual non-bank counterparty comprises natural and legal persons and includes individual trusts, corporations, unincorporated businesses (whether as sole traders or partnerships) and non-profit making bodies. This category *excludes* governments, and *includes* local authorities and public sector bodies.

<u>Closely related counterparties</u>

12 A group of closely related counterparties exists where:-

(a) unless it can be shown otherwise, two or more individual counterparties constitute a single risk because one of them has, directly, or indirectly, control over the other or others; or

(b) individual counterparties are connected in such a way that the financial soundness of any of them may affect the financial soundness of the other or others or the same factors may affect the financial soundness of both or all of them.

In such cases the exposure to these individual counterparties should be aggregated and considered as a single exposure to a group of closely related counterparties.

It is not possible to give a comprehensive list of the different types of relationship between individual counterparties which it might be reasonable to consider as giving rise to common risk and therefore which constitutes for these purposes a group of closely related counterparties. The following list is therefore indicative and not comprehensive:-

- Group undertakings as defined in the Companies Act;
- Companies whose ultimate owner (whether in whole or in significant part) is the same individual or individuals and which do not have a formal group structure;
- Companies having common directors or management; and
- Counterparties linked by cross guarantees.

Where there is doubt in a particular case as to whether a number of individual persons constitute a group of closely related counterparties or, notwithstanding that a relationship as identified above exists, it is considered that the counterparties do not share a ‘common risk’, the circumstances should be discussed with the FSA to determine how the exposure(s) should be reported. Exposures to a number of public sector bodies, or local authorities are considered not to constitute a single exposure to “a group of closely related non-bank counterparties”.

An undertaking (as defined in Financial Reporting Standard 2, Paragraph 14) is the parent undertaking of another undertaking (a subsidiary undertaking) if any of the following (from section 259, Companies Act 1985) apply.

(a) It holds a majority of the voting rights in the undertaking.

(b) It is a member of the undertaking and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on all, or substantially all, matters.

(c) It has the right to exercise a dominant influence over the undertaking:

  (i) by virtue of provisions contained in the undertaking’s memorandum or articles; or

  (ii) by virtue of a control contract. The control contract must be in writing and be of a kind authorised by the memorandum or articles of the controlled undertaking. It must also be permitted by the law under which that undertaking is established.

(d) It is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking.

(e) It has a participating interest in the undertaking and:

(i) it actually exercises a dominant influence over the undertaking; or

(ii) it and the undertaking are managed on a unified basis.

(f) A parent undertaking is also treated as the parent undertaking of the subsidiary undertakings of its subsidiary undertakings.

Connected counterparties

13 Parties connected to the reporting institution comprise:-

(i) other group companies[4], excluding those companies which are included in the consolidation on a particular return;

(ii) associated companies as defined in the Statement of Standard Accounting Practice 1 (SSAP1);

(iii) directors, controllers and their associates as defined in Sections 417, 178/180, and 422 of the Financial Services and Markets Act 2000 respectively (or Section 105 of the Banking Act 1987 as amended by The Banking Co-ordination (Second Council Directive) Regulations 1992): loans to employees of a reporting institution's parent undertaking should also be included;

(iv) non-group companies with which directors and controllers are associated.

A pension fund or other trust fund of the group should not necessarily be classified as connected. However, it should be treated as a connected counterparty if a director/controller of the reporting institution is both a director of the fund and is involved in decision-making on whether or not an exposure to that fund should be undertaken. Funds managed within the banking group need not be treated as connected, and similarly for funds managed third party groups. However, the onus remains on banks which undertake such exposures to examine closely each case on its own merits. Notwithstanding the FSA's acceptance that such funds may, provided banks can satisfy themselves that they meet the criteria, be treated as unconnected/unrelated, there remains some aggregated risk.

Include as a director/controller any employee of the reporting institution who is appointed by the reporting institution to be a director of another company.

[4] The definition of group companies used for supervisory reporting is that set out for "group undertakings" in section 262 of the Companies Act 1985 as amended by the Companies Act 1989, together with any associated companies that are consolidated with the institution for reporting purposes, or that would be consolidated but for the fact that they are supervised by another UK supervisory authority. (For definitions of parent and subsidiary undertakings refer to section 258 of the Companies Act 1985 as amended by the Companies Act 1989.)

14 Any employee of the reporting institution should be treated as being associated with another company, whether the company is registered or domiciled in the UK or not, if he/she holds the office of director (or alternate director) with that company in his/her own right, or as a result of:

(i) a loan granted by the reporting institution to the company;

(ii) a financial interest taken by the reporting institution in the company;

(iii) by virtue of a professional interest unconnected with the reporting institution;

(iv) if he/she and/or his/her associates, as defined above, together hold 10% or more of the equity share capital of that company.

In the case of consortium banks with no definable parent, the reporting of connected exposures should be discussed with the FSA.

Reporting institutions should ensure that reporting is consistent between the capital adequacy and large exposures reports.

Analysis of Categories

15 For each category of on- and off-balance sheet item there is a breakdown of the total into different weighting bands, ie 0%, 10%, 20%, 50% or 100%, depending on the risk weight attributed to the counterparties. The following summary list identifies the counterparty weights. It is not a full list of all on- and off-balance sheet items, eg cash is not shown here (see Definitions for Form BSD3 Section A for a full list of items and for more detail generally);

0% (i)* Claims on, other than holdings of bills or securities issued by, Zone A central governments and central banks;
(ii)* Claims on, other than holdings of bills or securities issued by, Zone B central governments and central banks denominated in local currency and funded by liabilities in the same currency.

10% (i)* Holdings of Treasury bills and fixed interest securities (including index-linked securities) issued by Zone A central governments and central banks with a residual maturity of 1 year or less, and floating rate Zone A central government and central bank securities of any maturity;
(ii)* Holdings of Zone B central government and central bank securities with a residual maturity of 1 year or less denominated in local currency and funded by liabilities in the same currency.

20%	(i)*	Holdings of Zone A central government and central bank fixed interest securities (including index-linked securities) of a residual maturity of over 1 year;
	(ii)*	Holdings of Zone B central government and central bank securities of a residual maturity over 1 year denominated in local currency and funded by liabilities in the same currency;
	(iii)	Claims on multilateral development banks;
	(iv)	Claims on banks incorporated in Zone A countries;
	(v)	Claims on banks incorporated in Zone B countries with a residual maturity of 1 year or less;
	(vi)	Claims on Zone A public sector entities (PSEs);
	(vii)	Claims on investment firms subject to the CAD or incorporated in a non EU/EEA State but subject to an equivalent regime. See Chapter CS (Consolidated supervision), Section 10, of the FSA Policy Guide/IPRU (BANK) for more detail on which entities are subject to an equivalent regime;
	(viii)	Claims on recognised clearing houses and exchanges, to include initial cash margins and surplus variation margins. See Chapter BC (Credit risk in the banking book), Section 5, of the FSA Policy Guide/IPRU (BANK) for more detail on which clearing houses and exchanges are recognised.
50%	(i)**	Certain loans to Housing Associations meeting the criteria set out in the reporting instructions for item A90 on the Form BSD3;
	(ii)**	Mortgage loans to individuals meeting the criteria set out for item A90 on the Form BSD3;
	(iii)**	Loans to special purpose mortgage finance vehicles meeting the criteria set out for item A150 on the Form BSD3;
	(iv)**	Mortgage sub-participations, where the risk to the sub-participating bank is fully and specifically secured against residential mortgage loans which would themselves qualify for the 50% weight;
	(v)**	Mortgage backed securities meeting the criteria set out for item A150 on the Form BSD3.
100%	(i)	Claims on the non-bank private sector;
	(ii)	Claims on banks incorporated in Zone B countries with a residual maturity over 1 year;
	(iii)	Claims on Zone B central governments and central banks (unless denominated in the national currency and funded by liabilities in the same currency);
	(iv)	Claims on commercial entities owned by the public sector;
	(v)	Claims on Zone B public sector entities.

Note.

Items marked with * - All claims on Zone A central governments and central banks, and all claims on Zone B central governments and central banks denominated in local currency and funded by liabilities in the same currency are weighted at 0% for counterparty risk in the Trading Book; accordingly, these items are not applicable to Section B of the Form BSD3.

Items marked with ** - these are not Trading Book items for counterparty risks, and are therefore not applicable to Section B of the Form BSD3.

Some on and off-balance sheet assets should be deducted from total capital (total of tier 1 and tier 2) rather than receive a risk weight:

(i) Investments in unconsolidated subsidiaries and associates;
(ii) Connected lending of a capital nature;
(iii) Holdings of all capital instruments issued by any financial institution, investment firm or other bank in which the reporting institution owns more than 10% of the equity capital of the financial institution or bank (other than investments already deducted in (i) above);
(iv) All other holdings of other banks' capital instruments <u>including those held in the trading portfolio</u>, except those held under primary and secondary market makers' concessions;
(v) Any holdings of bank or investment firm capital instruments held under a market making concession which exceed 10% of the Total (gross) capital of the reporting institution;
(vi) Guarantees of a capital nature given on behalf of connected companies;
(vii) Other off-balance sheet items of a capital nature, eg a forward asset purchase of a bank capital instrument.

16 For each category of assets and off-balance sheet position, reporting institutions should separately identify their Banking Book and Trading Book positions. Banks which are exempt from the Capital Adequacy Directive and which do not fill in Section B of Form BSD3 should ignore the Trading Book column and report all their assets and positions within the Banking Book. Banks which fill in Section B of Form BSD3 will have agreed a Trading Book policy statement with the FSA. Assets and positions should be split between the Banking and Trading Books in accordance with that statement. The risk weighted amount in Section A of Form BSD3 is calculated by multiplying the Banking Book figure by the risk weight. The Trading Book figure is provided for information only and is not used in any calculation.

17 Where the reporting institution would face substantial difficulty in providing a breakdown by counterparty type which outweighs the benefit received from a weighting lower than 100%, the relevant assets may be entered in the 'unanalysed' boxes at the foot of each of the main categories on the Form BSD3 eg where a major institution has a category of assets or non-resident branch(es) which represents an insignificant part of the institution's overall assets. Such treatment should be discussed with the FSA before being adopted.

Investment trusts/Unit trusts/Mutual funds

18 Equity holdings in investment trusts and holdings of "units" in unit trusts or mutual funds should normally attract the highest risk weighting of 100%. However, when the assets held by the investment institution are legally restricted to assets of a lower weight (eg by articles of association or loan documentation) then a holding should be weighted at that lower weight. If a range of lower weighted assets are included in a fund or trust a holding should be weighted at the highest of these weights. Holdings in entities established to hold capital instruments issued by banks should normally be deducted from capital.

Zone A/Zone B countries

19 A list is provided in Appendix C.

Central governments

Comprises all departments, establishments and bodies of a central government located in its domestic territory performing government functions and the embassies, consulate and military establishments of the government located elsewhere.

Banks and recognised investment firms

20 The term "bank" as used in the capital adequacy and large exposures returns refers to those institutions that are regarded as banks in the countries in which they are incorporated, and supervised by the appropriate banking supervisory or monetary authority as banks. In general, banks will engage in the business of banking and accept deposits in the regular course of business. For large exposures purposes, central banks, multilateral development banks and the Bank for International Settlements (BIS) should be excluded. **Note** that the definition of UK banks in the Form SLR1 is restricted to banks in the United Kingdom, together with the Banking Department of the Bank of England.

For banks incorporated in countries that are members of the European Economic Area (EEA), classify as banks those credit institutions authorised in accordance with the Banking Consolidation Directive (2000/12/EC) . A list of such institutions is published in the EC Official Journal from time to time.

All banks incorporated in the Channel Islands, Gibraltar, Bermuda and Isle of Man are regarded as Zone A banks.

In the USA, banks are referred to as depository institutions which include branches of federally-insured banks and depository institutions chartered and headquartered in the 50 states of the United States, the District of Columbia, Puerto Rico, and US territories and possessions. The definition encompasses banks, mutual or stock savings banks, savings (or building) and loans associations (S&Ls), co-operative banks and credit unions; it excludes bank holding companies (other than those which are themselves banks).

Recognised investment firms include all investment firms incorporated within the European Union/European Economic Area, as defined by the Investment Services Directive (ISD). Note that not all securities firms incorporated in these countries are investment firms within the terms of the ISD. For instance, in the United Kingdom there are some companies (such as commodity trading companies) which, although required to be authorised under the Financial Services Act 1986 / Financial Services and Markets Act 2000, are not investment firms within the terms of the ISD.

Investment firms incorporated outside the EEA may be classified as a recognised investment firm, if they are subject to a regulatory regime deemed to be broadly equivalent to the Capital Adequacy Directive. Chapter CS (Consolidated supervision), Section 10, Appendix D of the FSA Policy Guide/IPRU (BANK) lists which countries currently fall into this category. Banks should be aware that many investment firms are part of complex groups containing both regulated and unregulated entities. Only the relevant regulated entity should be reported as an investment firm.

<u>Central banks</u>

21 With the exception of several Eastern European foreign trade banks (FTBs), the list of central banks (central monetary institutions) are the same as used by the Bank of England for statistical purposes. The list is set out in Appendix D to these notes.

<u>Multilateral Development Banks</u> (MDBs)

A list is set out in Appendix E.

<u>Financial Institutions</u>

22 The definition of financial institution used the capital adequacy returns is the same as that which applies in the Banking Consolidation Directive (formerly the Second Banking Co-ordination Directive). A financial institution is an undertaking, other than a bank or recognised investment firm (as defined in SGN20), the principal activity of which is to acquire holdings or to carry on one of the activities listed below.

(i) Lending including inter alia
- consumer credit
- mortgage credit
- factoring, with or without recourse
- financing of commercial transactions (including forfeiting)

(ii) Financial leasing

(iii) Money transmission services

(iv) Issuing and administering means of payment (eg credit cards, travellers' cheques and bankers' drafts)

(v) Guarantees and commitments

(vi) Trading for own account or for the account of customers in:

 (a) money market instruments (cheques, bills, CDs etc.)

 (b) foreign exchange

 (c) financial futures and options

 (d) exchange and interest rate instruments

 (e) transferable securities

(vii) Participation in securities issues and provision of services related to such issues

(viii) Advice to undertakings on capital structure, industrial strategy and related questions and advice and services relating to mergers and the purchase of undertakings

(ix) Money broking

(x) Portfolio management and advice

(xi) Safekeeping and administration of securities

Public Sector Entities (PSEs)

23 *General*

Principally regional governments and local authorities, but bodies which carry out non-commercial functions on behalf of and are responsible to regional governments or local authorities similar to those shown in the UK lists below may also be classified as PSEs. Also includes bodies owned by the central or regional government or local authorities which perform regulatory or other non-commercial functions. Commercial entities or companies (other than banks) owned by the public sector, including public utilities, should be classified as "other" and carry a weighting of 100%.

UK

An illustrative list of UK PSEs is included in Appendix F.

G10 and EU countries - Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, United States.

Principally regional governments and local authorities. The reporting institution may include those bodies regarded locally as PSEs where the relevant banking supervisor has published either a list or general guidance.

Other countries

The general definition above should be applied. The state governments in the Channel Islands, the Isle of Man Government, the government of Gibraltar, and the government of Bermuda are PSEs. Where doubt exists as to the appropriate classification of an organisation reference should be made to the FSA.

Collateral

24 Where claims on a counterparty are collateralised by cash (see SGN25) or by securities or bills issued by Zone A central governments, Zone A central banks or multilateral development banks (see Appendix E), a lower risk weight may apply. The risk weight category under which the claim should be reported is determined by the nature of the collateral, as follows:

0% Cash (see SGN25).

10% Zone A central government and central bank treasury bills and fixed interest securities (including index-linked securities) of a residual maturity of 1 year or less, or similar floating rate securities of any maturity.

20% (i) Zone A central government and central bank fixed interest securities (including index-linked securities) of a residual maturity of over 1 year;
(ii) Multilateral development banks' securities.

If the value of the collateral covers less than the book value of the asset, that part of the asset which is fully covered may receive the appropriate lower weight. Securities used as collateral should be marked to market. If the reporting institution proposes to adopt a different treatment, this should first be agreed with the FSA. No other forms of collateral should be taken as justifying a reduced risk weighting.

For collateralised off-balance sheet exposures (other than contracts reported in Appendices A-I, A-II, B-I, B-II, or B-III of the Form BSD3) the value of the collateral should be set against the nominal value of the exposure before calculating the credit equivalent amount. An exposure should only be regarded as fully covered if the collateral is at least equal to 100% of the nominal value of the exposure (not of any smaller credit equivalent amount). For example where cash collateral covers 75% of a nominal exposure, the collateral should first be applied to the nominal principal, which would leave an uncovered exposure of 25%. The appropriate credit conversion factor should then be applied to this uncovered portion in order to realise the amount that should be weighted. Thus, to continue the example, if the exposure had been in respect of a direct credit substitute (CCF of 100%) the weighted amount would equate to 25% of the nominal principal; but if the exposure had been in respect of a transaction related contingent (CCF of 50%) the weighted amount would equate to 12.5% of the nominal principal. Recall that the full nominal value of collateralised off-balance sheet exposures should be reported in the appropriate risk weighting bands, ie the 100% is split in order to reflect either the collateral or the counterparty as appropriate.

For interest and exchange rate contracts however the value of collateral should be compared to the credit equivalent amount. Where collateral fully covers this amount the risk weighting may be reduced accordingly. Where collateral covers only part of the credit equivalent amount the part that is fully covered may receive the appropriate reduced weight. The part that is not fully covered should receive the unreduced weight.

Where lower risk weights have been applied to reflect collateral, enter the relevant amounts in Form BSD3 Appendix A-III and/or B-IX as appropriate (Exposures Collateralised/Guaranteed/Netted). Collateral on large exposures should also be reported on Form LE2.

Cash Collateral

25 Where exposures which do not meet the criteria for set-off (see SGN24) are collateralised by cash, ie balances held with the reporting institution denominated in sterling, foreign currency or gold, or CDs issued by the reporting institution and lodged with it, such exposures should be reported under the relevant item in the 0% band. For these purposes an exposure should be treated as being collateralised by cash only if the cash is held by the reporting institution for the account of the depositor/customer on express terms such that:

i) the cash may not be withdrawn for the duration of the exposure; and
ii) the reporting institution may apply the cash to discharge the exposure if and to the extent that it is not discharged by the borrower/customer in accordance with the terms of the loan etc agreement with the borrower/customer.

In the case of an exposure partially collateralised by cash only that part of the exposure which is fully collateralised should be reported in the 0% weight band.

The adjustments made by the reporting institution to the Capital Adequacy Returns in respect of exposures collateralised by cash should be shown in Appendices A-III and B-IX of Form BSD3.

An exposure should be reported as being collateralised by cash where:

i) The reporting institution has an opinion from its legal advisers to the effect that the set-off arrangements, charges, or other equivalent security interests referred to below are legally well founded in **all** relevant jurisdictions, and would be enforceable in the default, liquidation or bankruptcy of the customer or depositor, or in the liquidation or bankruptcy of the institution itself.

ii) In the case of the reporting institution's *unconsolidated* return, the cash is held with the reporting institution. In the case of a reporting institution's *consolidated* return, the cash is held with the company which has the exposure.

iii) Where the cash is held at a UK office of a UK incorporated lending institution, the lending institution has a legally enforceable right of set-off over the cash. Where the cash is held at an non-resident branch of the lending institution, or where the lending institution is incorporated outside the UK, it has a first charge over cash held with itself where this is enforceable in the local legal jurisdiction or other equivalent security interest or a legally enforceable right of set-off over the cash.

iv) Where the reporting institution meets the criteria set out in Chapter CS (Consolidated supervision), Section 3.1.1, Paragraph 2(b), of the FSA Policy Guide/IPRU (BANK), (i) to (iii) above apply. However cash may be held with another bank which is consolidated with the reporting institution for the purpose of calculating the institution's consolidated capital ratio. In this case the lending institution should have a first charge over the cash held with the other bank or other equivalent security interest. Where an exposure is reported by the lending bank as collateralised by cash under this provision, the cash is not available to the other bank as collateral for reporting purposes, and should not be subject to set-off in the other bank's books.

Where the reporting institution is a member of a syndicate and cash has been deposited with, and is held by, the agent itself for the benefit of the syndicate, the claims (or portion of the claims) of members of the syndicate which are cash collateralised may attract the weight appropriate for claims on the agent. If the agent is a bank its own claims which are cash collateralised may receive a 0% weight.

Netting

26 *On-balance sheet*

Debit balances on accounts with the reporting bank may be offset against credit balances on other accounts with that bank where all the following criteria have been met:

a) a legal right of set-off exists, and the reporting institution has obtained an opinion from its legal advisers to the effect that its right to apply set-off is legally well-founded in all relevant jurisdictions and would be enforceable in the default, liquidation or bankruptcy of the customer(s) or in the liquidation or bankruptcy of the institution itself. For a group facility, the arrangement is supported by a full cross guarantee structure;

b) the debit and credit balances relate to the same customer, or to customers in the same company group, eg a parent company and its subsidiary. For all customers, the netted accounts should be managed and controlled on a net basis and, in the case of a group facility, the facility should be advised in the form of a net amount.

The reporting institution's application of these principles should remain consistent.

Where this SGN or SGN25 require a legal opinion to be sought, the FSA expects such opinions to be provided by an independent, external source of advice of appropriate professional standing. In seeking these opinions, the reporting institution should bear in mind that in certain jurisdictions assets may be seized to satisfy local creditors. In those cases involving cross-jurisdictional transactions, the FSA will usually ask for a side-letter from the institution's advisers confirming that the set-off arrangements have a well-founded legal basis in all relevant jurisdictions. In certain cases, the FSA may ask for a copy of the legal opinion.

Reporting of net balances should follow the reporting institution's statutory accounting practice (see SGN5).

Credit balances which cannot be off-set against debit balances may be eligible for inclusion as cash collateral (see SGN24 and SGN25).

Note: Back-to-backs allowed to be netted out on returns made to the Bank of England for statistical purposes should not be netted out in calculating the size of an exposure for LE2 purposes (see Definitions for Form LE2 for more guidance generally).

Off-balance sheet

Pending further consideration, net amounts due in respect of eg foreign exchange transactions may be reported only if the net amount derived is pursuant to the application of a bilateral agreement (between two counterparties) based upon netting by novation. Netting by novation is where obligations between counterparties to deliver given amounts on a given date are automatically amalgamated with all other obligations to deliver the same currency on the same value date and netted. Such netting should have the effect of legally discharging performance of the original obligation and substituting the single net amount as the sole remaining obligation between the parties for the relevant value date.

In addition, certain contracts reported in Appendices A-I and B-II of Form BSD3 may be reported on a net basis when the legal and systems criteria of Section 5, Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met. For each counterparty, the net replacement cost to be reported is obtained by taking the sum of the replacement costs of all nettable contracts with a positive mark-to-market value offset by all nettable contracts with a negative mark-to-market value. The replacement costs of contracts which are not nettable should continue to be reported gross.

Where the terms of the Collateral and netting chapter have been met, report net the potential future credit exposure through the formula outlined in section 8 thereof.

The net replacement cost of a portfolio of nettable contracts with a Zone B bank should be distributed across 20% and 50% counterparty risk weightings pro rata to the distribution of the notional principal amounts between $\leq$1 year and >1 year.

Example

Net replacement cost of portfolio = 100mn
Notional Principal Amount of $\leq$1 year contracts = 12bn
Notional Principal Amount of >1 year contracts = 3bn

Net replacement cost reported at 20% counterparty riskweight
= 80mn (12/15 x 100mn)
Net replacement cost reported at 50% counterparty riskweight
= 20mn (3/15 x 100mn)

Long and short positions in Investments

27 In certain circumstances, long positions in securities may be offset against short positions for the purposes of calculating the weighted amount in the Banking Book (Section A) on Form BSD3[1]. The gross amounts should be recorded under items A120-A190 (long positions) and under item A710 (short positions) on that form. Additionally, short positions in central government and central bank securities should be reported under item A320 and will attract a risk weight.

The conditions to be satisfied for netting of long and short positions are:

(a) *Central governments and central banks*

Netting of long and short positions should only be carried out where the following criteria are all met:

(i) the long and short positions are in securities issued by the same central government or bank;

(ii) the long and short positions are in securities denominated in the same currency;

(iii) the long and short positions are in fixed rate securities within the same maturity time band, ie one year or less (10% risk weight) or over one year (20% risk weight). Similarly, index-linked securities should only be offset against each other if they are within the same maturity time band. Floating rate securities of any maturity may offset against each other but no netting of floating rate securities against fixed rate or index-linked securities should be carried out.

Both the gross and net long positions in central government and central bank securities should be reported under item A120 on Form BSD3, with the net long positions attracting the relevant risk weights. Gross short positions should be reported under item A710.1 with the net short positions being reported under item A320 on that form.

[1] The requirements of SGN25 refer to the Banking Book only: positions in instruments in the Trading Book are reported on a net basis in Section B of Form BSD3.

A simplified reporting example is set out below (the netting criteria are met for securities A and B but not C):

	Long position	Short position	Net
UK government security A	100	-	100
UK government security B	-	(50)	(50)
US government security C	5	(25)	(20)
	105	(75)	

Gross long position (item 120)	=	105 ie sum of individual long positions
Gross short position (item 710)	=	(75) ie sum of individual short positions
Net long position (item 120)	=	[100+(50)] = 50 ie sum of net positions after netting gross positions permitted by (i) to (iii) above (in this case the netting of positions in A and B)
Net short position (item 320)	=	(20) ie sum of net short positions after netting of gross positions as permitted by (i) to (iii) above (in this case none)

(b) *Other securities*

Report gross positions, net only of short positions in the same security issue. Warrants and convertibles should not be offset against the underlying equity into which they may convert.

Guarantees

28 (a) Guarantees received

Claims that have been explicitly, irrevocably and unconditionally guaranteed by those counterparties listed below may be weighted according to the risk weight of the guarantor where the effect is to reduce the weighting; such guarantees should be legally enforceable. Where a claim is partially guaranteed, only that part of the claim which is fully guaranteed should be weighted according to the risk weight of the guarantor. Only direct guarantees of a bank's claims should be treated in this way. Guarantees of a counterparty's assets, or general guarantees of its financial position, are considered insufficient in themselves to merit a reduced risk weighting.

The notes in this section apply to the instruments serving as guarantees and insurance/indemnities discussed below as well as to guarantees.

Instruments serving as guarantees

Apart from traditional bank guarantees, certain other financial instruments (eg a letter of credit (or standby letter of credit), a purchased put option that may be exercised at any time, and a risk participation) may be regarded as guarantees as long as they provide the same comfort as a guarantee, ie they provide an explicit, irrevocable and unconditional obligation to pay a third party beneficiary when a customer fails to repay an outstanding loan or to meet a financial obligation (including contingent obligations).

Insurance/indemnities

Where a claim is covered for all risks by an insurance policy, or where an indemnity is explicit, irrevocable and unconditional, reduced weighting may also be appropriate; such claims should be discussed on a case by case basis with the FSA.

Guarantees received from subsidiaries

In reporting capital adequacy on a solo or unconsolidated basis, reporting institutions may accept a guarantee from a subsidiary as reducing the risk weight of an asset, but only when the following conditions are met:

(i) the guarantee is direct, unconditional and irrevocable;
(ii) the reporting institution is adequately capitalised on a consolidated basis;
(iii) the guarantee is not being given to circumvent regulatory rules;
(iv) the guarantee should have sound commercial rationale and should be made on proper commercial terms.

Risk weighting

On and off-balance sheet items subject to guarantees should still be reported in the same counterparty category, rather than that of the guarantor, but shown in the weighting band relative to the guarantor. For example, a loan to a non-bank customer which is guaranteed by a Zone A incorporated bank should be reported in item A100.3 instead of A100.4, and not in item A70 on the Form BSD3. The relevant risk weights are as follows:

0% (i) Zone A central governments and central banks (other than securities guaranteed);
(ii) Zone B central governments and central banks (other than securities guaranteed), where the claim being guaranteed is denominated in the local currency of the guarantor and borrower and funded in that currency.

10% (i) Fixed rate securities, guaranteed by Zone A central governments and central banks, which have a residual maturity of 1 year or less;
(ii) Floating rate securities of any maturity guaranteed by Zone A central governments and central banks;
(iii) Any securities, guaranteed by Zone B central governments and central banks, which have a residual maturity of 1 year or less and are denominated in the local currency of the guarantor and issuer and funded in that currency.

20% (i) Fixed rate securities, guaranteed by Zone A central governments and central banks, which have a residual maturity of over 1 year;
(ii) Any securities, guaranteed by Zone B central governments and central banks, which have a residual maturity of over 1 year and are denominated in the local currency of the guarantor and issuer and funded in that currency;
(iii) Multilateral development banks;
(iv) Banks incorporated in Zone A countries;
(v) Banks incorporated in Zone B countries, where the claim being guaranteed has a residual maturity of 1 year or less;
(vi) Zone A public sector entities.

Holdings of bank capital instruments which carry a central government or central bank guarantee should be deducted from capital in accordance with the definition of item A170 on the Form BSD3 except where a Trading Book concession applies when they should be weighted at 100%.

Guarantees of swaps etc.

Guarantees of swaps etc will be acceptable for reducing the risk weighting of an item where they meet the above criteria, where the reporting institution receiving the guarantee calculates daily the mark-to-market valuation of the asset being guaranteed (using the institution's own mark-to-market methodology) and where the guarantee is valued at the current mark-to-market value of the contract plus "add-ons". (See also the reporting instructions for items A472/A474 on Form BSD3.)

Guarantees of a capital nature

See the reporting instructions for item A340 on the Form BSD3 for details.

Where lower risk weights have been applied, enter the relevant amounts in Form BSD3 Section A or Section B as appropriate (Exposures Collateralised/Guaranteed/Netted).

(b) Guarantees given

Joint and several guarantees given by the reporting institution

Where the reporting institution has guaranteed an exposure jointly and severally with other institutions, its share of the guarantee (as explicitly defined or otherwise equal to the total value of the guarantee divided by the number of guarantors) should be reported as an exposure on the counterparty and the balance of the guarantee as an exposure on the other guarantors.

Sale and Repurchase Agreements ("Repos")

29 This note refers to the treatment for capital adequacy purposes of repos and reverse repos in the Banking Book only. It is expected that most banks with a Trading Book will treat repos and reverse repos as being part of the Trading Book, in which case the capital requirement arising from these deals should be reported in Section B of Form BSD3. The instructions to that form outline how such deals should be reported when they fall in the Trading Book.

Repos

Reporting institutions that have sold loans or other assets to other institutions for a finite period with a commitment to repurchase should continue to report the loan or asset on the balance sheet. Where this is not the reporting institution's normal accounting practice, the loan or asset should be reported under item A370 in the off-balance sheet section of the Form BSD3.

Reverse repos

Reporting institutions which have purchased such loans or assets (ie purchase and resale agreements or reverse repos) should for the duration of the agreement report the transaction as an unsecured loan adopting the normal weight for the counterparty unless the assets are eligible for a reduced weight (eg Zone A government securities) in which case they should be reported as collateralised loans (see SGN24).

Netting of counterparty risk arising from reverse repos

Where a repo contract in the Banking Book involves the sale of a security, the transaction should be recorded as ongoing issuer risk in respect of the security sold. No counterparty risk should be recorded, which means netting of counterparty risk on a portfolio of repos is not a relevant consideration.

Note that counterparty risk can only arise when a reverse repo is undertaken and the collateral reversed in is ineligible collateral (see SGN24 for a definition of eligible collateral). Such reverse repos should be reported as if an unsecured cash loan had been made to the counterparty to the reverse repo. As long as the terms of Chapter NE (Collateral and netting), Section 8, of the FSA Policy Guide/IPRU (BANK) have been met, such counterparty risk should be reported under items A50-A100 on the Form BSD3, net of obligations to the same counterparty arising only from:

(i) other reverse repo business with the same counterparty, where eligible collateral has been taken, and only to the extent that the value of the eligible collateral taken is in excess of the cash paid away. If the asset reversed in is reported on the balance sheet, the adjustment should be recorded under item A720. If the asset reversed in is not reported on the balance sheet, the adjustment should be made under items A50-A100 to reflect the reduced risk weight, eg transfer the netted amount from item A100.4 (100% weight) to item A100.1 (0% weight).

(ii) on repos with the same counterparty and similarly only to the extent that the cash reversed in exceeds the value of the securities repoed. The adjustment should be recorded under item A690.

Note that reporting institutions wishing to net counterparty risk arising from repo business in the Banking Book should first contact their line supervisors who will wish to determine whether their systems are adequate for them to report on this basis.

Stock lending/borrowing as principal

30 When a reporting institution has entered into a stock lending agreement as principal, the stock lent should continue to be reported as an asset on its balance sheet. No exposure in respect of the counterparty in the transaction should be reported.

When an institution has entered into a stock borrowing transaction as principal, the reporting treatment will depend upon the type of collateral given.

If the collateral given is cash, the exposure should be treated as a collateralised loan to the counterparty. If the securities borrowed by the reporting institution qualify as eligible collateral, then a lower risk weighting may be applied accordingly. If the securities borrowed by the reporting institution do not qualify as eligible collateral, then the exposure should be reported as an unsecured loan to the counterparty.

If the collateral given is not cash, then the reporting institution should continue to report the collateral given on its own balance sheet. No exposure to the counterparty should be reported.

Netting of counterparty risk

Where a stocklending/borrowing agreement meets the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK), there will be scope for netting of counterparty risk arising from borrowing of stock which does not qualify as eligible collateral in the same way as for reverse repos (see SGN29). Exposures to be reported on such a net basis should be reported as if they were reverse repos.

“Disguised” credit exposure in interest and exchange rate contracts

31 The arrangement of certain contracts may include an element of "disguised" credit exposure. In general, the FSA would consider a disguised credit exposure to be present where the contract either starts with a significantly positive mark-to-market value or, on an assumption of unchanged interest and exchange rates, is designed at some time in its life to have a significantly positive mark-to-market value. (Institutions should discuss with the FSA what constitutes such a mark-to-market value.)

The reporting institution should contact the FSA to agree on suitable reporting where it has such contracts. In general, the disguised credit exposure should be reported separately from the swap in a manner fixed at the outset of the contract. For example on the Form BSD3:

(a) the up-front payment on a swap at off-market rates should be reported as a loan in items A50-A110, and amortised over the life of the swap;

(b) a staggered exchange of principal, where the reporting institution has paid away its side and has not received the counterpart's side, should be reported as a loan in items A50-A110.

Where the disguised credit exposure is reported separately as in the above examples, the mark-to-market value of the swap as reported in Appendix A-I of the Form BSD3 should exclude the disguised credit exposure reported as above.

Where a reporting institution has a contract that gives rise to a "disguised" credit exposure on itself for its counterparty (eg receiving interest quarterly and paying interest annually), the reporting institution should report the contract as normal.

Participations/Syndicates

32 Where the reporting institution transfers a loan by *novation*, *assignment* or through a *sub-participation*, the part of the loan transferred should not be reported on the supervisory returns, subject to the satisfaction of the conditions specified in Chapter SE (Securitisation and asset transfers), Section 5, of the FSA Policy Guide/IPRU (BANK). In a *sub-participation*, where the reporting institution acts as a manager or co-manager, deposits received from the other participating institutions (representing their shares of the amounts to be lent) should not be included under deposits, nor should their shares of the loan be included in assets.

Where the reporting institution buys all or part of a loan from another institution, it should report its holding as an advance to the borrower and not as lending to the institution from which it has purchased the loan.

If the reporting institution has transferred undrawn commitments to lend (or part of them), the commitment (or part) should not be reported when the transfer is either by *novation* or by an *assignment* accompanied by a formal acknowledgement from the borrower. A transfer by means of *silent assignment* or *sub-participation* should be reported as a commitment in the off-balance section of the return, with the counterparty risk assigned to the buyer of the commitment. The buyer of a commitment (or part) should report in the off-balance section under the relevant counterparty weight of the borrower, irrespective of the method of transfer used.

Transfers of General Market Risk

33 When general market risk is transferred between the Banking and Trading Books without reference to individual instruments, this will not be reflected in Section A of the Form BSD3. As no underlying instruments are transferred, such transfers should only be reported in items B200 and B240 of Section B of the Form BSD3 (and their underlying Appendices).

Counterparty Exposure On OTC Derivative Contracts - Replacement Cost Method

34 The credit equivalent amount is the sum of the replacement cost (obtained by marking to market) of all its contracts with a positive value and the potential future credit exposure which reflects the residual maturity of the contract, calculated as a percentage of the notional principal amount of each contract (according to the residual maturity of each contract as set out in the matrix below). The weighted amount is the product of the credit equivalent amount and the risk weight.

Mark-to-market amount

Reporting institutions should mark-to-market in a prudent and consistent manner; only contracts with a positive mark-to-market value should be reported under this heading (however, institutions should record a potential future credit exposure in respect of all OTC derivative contracts that might in the future have a positive mark-to-market value).

In general, no readily observable market prices will be available for these instruments. Reporting institutions should develop their own methodology for calculating market values, details of which should be made available to the FSA. The FSA will monitor the approaches adopted by institutions and will be concerned that such approaches should be broadly comparable across all institutions in line with best market and supervisory practice. The following general guidelines should be observed:

For swaps, forward rate agreements and products with similar characteristics, outright forward foreign exchange contracts and futures (if appropriate), the mark-to-market approach should be based on an estimation of the net present value of the future cash flows of the contract, using interest rates based on current market rates and relevant to periods in which the cash-flows will arise (commonly for example, the rates from a derived yield curve for zero-coupon government bonds).

For options purchased, the mark-to-market approach should be based on a valuation of the option reflecting, inter alia, the amount by which the option is “in the money” (ie the amount, if any, by which the rate at which the option can be exercised is more favourable than the current market rate when applied to the notional principal underlying the option), the time to expiry of the option, the volatility of the underlying exchange or interest rate, and (for currency options) the interest rate differential between the currencies. Typically such valuations will be based on a mathematically complex formula, and will value the option at an amount above its “in the money” value

Reporting institutions whose involvement in options is limited and who have not developed suitable methodology may value options at their “in the money” value. Reporting institutions should obtain the FSA’s agreement before reporting on this basis.

Potential Future Credit Exposure

To calculate the potential future credit exposure (add on) for each contract, the notional principal amount should be multiplied by the following factors. No potential future exposure should be calculated for single currency interest rate basis swaps: the credit exposure on these contracts should be evaluated solely on the basis of the replacement cost.

Type of contract	**Residual Maturity**		
	≤ 1 Year	**>1 Year and ≤ 5 Years**	**> 5 Years**
Interest Rate (except basis swaps)	0.0%	0.5%	1.5%
Foreign Exchange (including Gold)	1.0%	5.0%	7.5%
Equities	6.0%	8.0%	10.0%
Precious Metals (except Gold)	7.0%	7.0%	8.0%
Commodities	10.0%	12.0%	15.0%

Notional principal amounts by maturity

For exchange rate contracts, the notional principal should be taken as the amount of principal underlying the contract, as regards the currency being received by the reporting institution, translated into sterling at the spot exchange rate on the reporting date.

For an amortising swap, ie one based on a steadily declining notional principal, the notional principal should be taken as that which is outstanding at the reporting date.

For a swap based on a fluctuating level of principal, the notional principal should be taken as the maximum notional principal outstanding over the remaining life of the swap.

For amortising interest rate swaps with cash-flow mismatches in payments, the notional principal may differ between the two sides of the swap - the higher of the two should be used.

For swaps involving physical commodities, and other contracts with multiple exchanges of principal, the notional principal should relate to the total volume over the whole contract (not simply the volume per settlement period), eg for a two-year oil swap involving one million barrels with quarterly settlement, the exposure should be reported as covering the full period of the contract (not just one quarter at a time) and the notional principal would be eight million barrels (not just one million), converted to sterling at the spot rate on the day of the report. (The reported principal in this example would decline as each quarterly settlement is made.)

For options, the notional principal should be taken as the underlying principal of the option, using, for currency options, the received currency at the spot rate on the reporting date.

Remaining maturity

The remaining maturity of a swap should be taken as the time until final expiry of the swap, except for swaps with interim mark-to-market settlements, where the remaining maturity should be set equal to the time until the next reset date. An interim mark-to-market settlement occurs where the contract is structured to settle an outstanding exposure following specified payment dates and where the terms are reset such that the mark-to-market value of the contract is zero on these specified dates.

For FRAs and similar products, the remaining maturity should be taken as the time from the reporting date until the end of the period to which the interest rate underlying the contract relates, eg for an FRA with three months until settlement based on a one year rate, the remaining maturity would be 15 months. Where settlement of an FRA takes place at the start of the period to which the interest rate underlying the contract relates, no account should be taken of the FRA following such settlement, ie the FRA should no longer be reported; where settlement takes place at the end of this period, the FRA should continue to be reported until settlement takes place given that, even after the settlement amount if fixed, the contract will continue to have a mark-to-market value which will be subject to fluctuation.

For interest rate options, the remaining maturity should be taken as the time from the reporting date until the end of the period to which the interest rate underlying the option relates, ie in a similar way to FRAs.

Net reporting of Replacement Cost (see also SGN26)

35 Where the terms of Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met then, on a bilateral basis (ie for each counterparty), the net replacement cost of nettable contracts may be reported ie nettable contracts with a positive mark-to-market value may be offset by the sum of nettable contracts with a negative mark-to-market value.

For interest rate, foreign exchange, commodities, precious metals and equities contracts only, the replacement cost (positive mark-to-markets) arising from options purchased may be offset by the liabilities (negative mark-to-markets only) arising from options written with the same counterparty.

Net Reporting of Potential Future Credit Exposure

Where the terms of the Chapter NE (Collateral and netting) of the FSA Policy Guide/IPRU (BANK) have been met, report net the potential future credit exposure through the formula outlined in section 8 thereof.

Forward FX Contracts undertaken through Multilateral Netting Schemes

The credit equivalent amount for a reporting institution using a multilateral netting scheme should also be reported as follows:

Current exposure: the replacement cost is the sum of the primary loss allocations to each of the other participants in the scheme;

Potential future credit exposure: the add-ons should be calculated by taking a percentage of the notional principal amount of each underlying contract in exactly the same way as if the contracts had been undertaken directly with the other participants.

NOTE: the counterparty risk weight applicable to the current exposure is 20%. As to potential future credit exposure, 20% should apply in the case of participants which are Zone A banks or investment firms subject to CAD equivalent regimes and ≤1 year contracts with Zone B banks, and 50% should apply otherwise.

Interest and Foreign Exchange Rate Related Contracts - Original Exposure Method

36 *Credit equivalent*

With effect from SRN/1999/2, this method should only be adopted by EEA banks and banks established outside the EEA. To obtain the credit equivalent amount using the original exposure method, the notional principal amount should be multiplied by the following conversion factors to obtain the future credit exposure:

Original Maturity	Interest Rate Contracts	Exchange Rate Contracts
One year or less	0.5%	2.0%
Over one year and up to and including two years	1.0%	5.0%
For each additional year	1.0%	3.0%

Contact with the FSA

37 In the event of any difficulties in completing any of the returns, please telephone your FSA supervisor for guidance.

Appendix A

Extract from the Bank of England's Banking Statistics Definitions folder, Classification of Accounts Guide Part II (February 2001)

"II RESIDENCE

II.1 Introduction

For the purpose of all returns, ***the United Kingdom (UK) comprises the mainland of Great Britain and Northern Ireland.*** The Channel Islands and the Isle of Man (referred to elsewhere in the definitions as the UK offshore islands) will *not* form part of the UK for statistical purposes; this is in line with international standards[1] which are reflected in the new and revised returns for implementation from end-September 1997.

In many returns it is necessary to classify assets and liabilities as relating to UK residents, and to non-residents (previously termed "overseas residents"). A small number of returns additionally break down those relating to non-residents by country of residence. This classification depends on the residence of the person or body who is the immediate debtor or creditor [as normal, in determining the immediate debtor or creditor, transactions made through agencies and agents should be treated as though made directly with the principal (but payment of agency fees should be treated as a transaction with the agent)].

For the purpose of all returns Sections 2 to 5 below determine whether a person or body is a "UK resident" or a "non-resident". They also determine the country of residence of a non-resident. See Part I section 3 (in this *guide*) for some useful practical hints [especially sub-item I.3(d)]. Additional guidance is given in section 6 (below) for securities, bills, notes, ECGD lending and acceptances.

II.2 Individuals

(a) UK residents comprise **:**

(i) Individuals permanently resident in the UK;

(ii) All temporary residents from a country outside the UK who have stayed, or who intend to stay, in the UK for a year or more **-** except members of the armed forces and career and established government officials of a country outside the UK who are serving in military bases, embassies, etc in the UK, together with their dependants;

(iii) Individuals normally resident in the UK who are temporarily overseas for less than a year; or

(iv) Members of the UK armed forces and career and established officials of HM Government serving in military bases, embassies, etc. overseas, together with their dependants.

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[1] European System of Accounts 1995 (EC Regulation); System of National Accounts (United Nations Statistical Commission. Feb. 1993)

(b) **Non-residents** comprise all those individuals who are not UK residents, namely **:**

(i) Individuals permanently resident in a country outside the UK (***including*** the Channel Islands and the Isle of Man);

(ii) All temporary residents from the UK who have stayed, or who intend to stay, in a country outside the UK for a year or more - except members of the UK armed forces and career and established officials of HM Government serving in military bases, embassies, etc overseas, together with their dependants;

(iii) Individuals normally resident in a country outside the UK who are temporarily resident in the UK for less than a year; or

(iv) Members of the armed forces and career and established government officials of a country outside the UK who are serving in military bases, embassies, etc. in the UK, together with their dependants.

The country of residence of a non-resident is determined for each of the previously mentioned four categories according to the relevant country outside the UK. Thus for example **:**

(i) An individual permanently resident in Switzerland is a Swiss resident.

(ii) An individual normally resident in the UK visiting Brazil for two years is a Brazilian resident (but a UK diplomat in Brazil is a UK resident).

(iii) An individual normally resident in the United States but visiting London for six months is a US resident.

(iv) A US air-force officer serving in the UK is a US resident, and a Spanish diplomat serving in London is a Spanish resident.

<u>Note</u> that residence status is not necessarily the same as nationality [e.g. a Frenchman staying in London for two years is a UK resident].

<u>Also note</u> that, while career and established government officials (and their dependants) serving abroad are residents of the country whose government they serve, the same does not apply to locally recruited staff of embassies etc. Thus, for example, a typist or interpreter permanently resident in the UK or staying in the UK for a year or more and recruited by the Spanish embassy in London remains a UK resident.

II.3 Businesses

(a) **UK residents** comprise all enterprises which produce goods or provide services in the United Kingdom, namely **:**

(i) UK-owned businesses' branches and subsidiaries located and operating in the UK;

(ii) Overseas-owned businesses' branches and subsidiaries located and operating in the UK.;

(iii) A head office located in the UK from which an enterprise operating internationally (e.g. an air or shipping line) is administered.

(b) **Non-residents** comprise all enterprises which produce goods or provide services outside the United Kingdom, namely **:**

(i) UK-owned businesses' branches and subsidiaries located and operating in a country outside the UK;

(ii) Foreign-owned businesses' branches and subsidiaries located and operating in a country outside the UK;

(iii) A head office located in a country outside the UK from which an enterprise operating internationally is administered.

The country of residence of a non-resident business is determined for each category above according to the relevant country outside the UK. Thus for example **:**

(i) the French branch of a UK company is a French resident;

(ii) the French branch of a German company is a French resident;

(iii) the New York head office of an international airline is a US resident.

Note that **:**

- UK branches of non-resident banks which are listed under the Banking Act are UK residents.
- Non-resident offices of reporting institutions, as defined in III.12(a) of the Classification of Accounts guide accompanying the new Banking Statistics Definitions ("yellow") folder, are non-residents.
- UK representative offices of non-resident banks, being only agencies of their parent banks, are non-residents.
- It is the country of location and operation which determines the country of residence, not the country of ultimate ownership. Thus foreign branches of a company will have a different country of residence from the company itself.
- An enterprise which merely has a "brass-plate" presence in a country is not a resident of that country, and the residence of each branch or subsidiary of that company will depend on its country of location and operation.

II.4 Governments, CMIs and International Organisations

HM Government and other UK public authorities, including HM Government diplomatic, military and other offices in other countries, are UK residents. Foreign central, state and local governments, including their diplomatic, military and other offices in the UK and elsewhere, are residents of the country which they serve.

Central monetary institutions are residents of the country they serve. Complete lists by country are given in Part III Section 12(b), grouped by area. Note that the Kuwait Investment Office in London is regarded as a resident of Kuwait and the Bank for International Settlements as a resident of Switzerland, and both are regarded as non-resident central monetary institutions.

International organisations, including their branches or representatives in the United Kingdom, are non-residents. They should be classified as "International Organisations" in returns where country breakdowns are required (such returns always have this category shown clearly as a separate item). Employees of international organisations who intend to be based in the UK for over one year are residents of the UK, although the organisations themselves are non-residents. The main international organisations are listed in Part III section 12. Note that certain international organisations, such as the European Investment Bank (EIB) and the International Bank for Reconstruction and Development (IBRD) are banking organisations - see Part III section 12(c) in particular.

II.5 Other

UK-based charities and other private non-profit-making bodies

Such bodies based in the United Kingdom are UK residents. Accounts for public subscription in the name of UK charities should be classified as accounts for UK residents, but a UK charity's account specifically for the running of an operation overseas (for example a hospital or school abroad) should be classified as an account for a resident of the country in which the operation is located.

Great Peter Nominees Ltd

Funds placed with reporting institutions by Great Peter Nominees Ltd should be regarded as liabilities to non-residents, and classified as "unallocated by country" in returns where country breakdowns are required (such returns always have this category shown clearly as a separate item).

Estates and Settlements

Executors or administrators of the estate of a deceased person who at the time of death was a resident of another country, and agents acting on inter-vivos settlements where the settlor is a resident of another country, should be regarded as residents of that other country.

II.6 Securities, bills, notes, ECGD lending, and acceptances

When it is necessary to define a company security as issued either by a UK resident or a non-resident, this should be done on the basis of the location of the registered office of the issuing enterprise. Note, however, that the location of the registered office is synonymous with residence provided that the enterprise is operating in the country concerned on a permanent basis (ie for a period of over one year) and engages in economic activity (in this context the issuing of securities) which is subject to the fiscal and regulatory framework applicable in that country. For a security issued by a government or public corporation, the allocation is based on the residence of the issuing body. The question of whether the security is denominated in sterling or any other currency is not relevant to this allocation.

A security which is in “secondary” form, eg in the form of an allotment letter or of American, European, Global or Bearer Depository Receipts, should be attributed to the country of residence of the issuer of the underlying security. The same principle of “looking through” should apply to “repackaged” securities (ie securities issued by a body, for example a bank, a securities house, or a purpose-formed body, in respect of other, underlying securities held by that body), provided that a purchaser of the “repackaged” securities has a right to transfer to the underlying securities. If the purchaser does not have such a right, reporting institutions should not look through to the underlying securities.

Appendix A (continued)

A stripped security (strip) which remains the direct obligation of the original issuer should be attributed to the residency of the issuer of the original security. A strip which has been created and issued by an entity in its own name should be attributed to the residency of the issuer of the strip.

Bills should be classified according to the country of residence of the drawer, and notes according to that of the issuer; lending under ECGD guarantee should be allocated to the overseas country in which the debtor is resident; and bills accepted by the reporting institution itself reported as acceptances to the country of residence of the enterprise or body on whose behalf the acceptance credit facility has been opened."

Appendix B

Discount houses

With effect from 23 December 1998, Discount houses are no longer applicable.

Appendix C

Zone A/Zone B countries

The term "Zone A" covers full members of the OECD and those countries which have concluded special lending arrangements with the IMF associated with the IMF's General Arrangements to Borrow, provided they have not rescheduled their external sovereign debt to official or commercial bank creditors in the previous five years. At present, these countries comprise:

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Saudi Arabia, Spain, South Korea, Sweden, Switzerland, Turkey, United Kingdom and United States.

The Channel Islands, Gibraltar, Bermuda and Isle of Man should also be regarded as being within Zone A. The reporting institution should discuss with the FSA the appropriate treatment of particular dependencies of Zone A countries.

Zone B comprises all countries not in Zone A.

For the purpose of determining whether a bank is in Zone A or B, the place of incorporation is the relevant factor to be considered rather than the location of the branch. For example, a loan made to a branch located in a Zone A country of a Zone B incorporated bank should be classified as a loan to Zone B bank.

Appendix D

Central banks (central monetary institutions)

The list of central banks set out below is similar to the list used to complete the Bank of England's statistical returns, except for the exclusion of the following Eastern European foreign trade banks (FTBs):

Bulgaria	Bulgarian Foreign Trade Bank
Poland	Bank Handlowy w Warszawie (non-UK offices only)

Reporting institutions may however classify FTBs as Zone B banks if they so wish, and should notify the FSA if they do so.

European Union

Austria	Oesterreichische Nationalbank
Belgium	Banque Nationale de Belgique, SA
Denmark and Greenland	Danmarks Nationalbank
Finland	Suomen Pankki - Finlands Bank
France	Banque de France
Germany	Deutsche Bundesbank
	European Central Bank
Greece	Bank of Greece
Ireland	Central Bank of Ireland
Italy	Banca d'Italia
	Ufficio Italiano dei Cambi
Luxembourg	Institut Monétaire Luxembourgeois
Netherlands	De Nederlandsche Bank NV
Portugal	Banco de Portugal
Spain	Banco de España
Sweden	Sveriges Riksbank

Other Western Europe

Bosnia and Herzegovina	National Bank of Bosnia and Herzegovina
Croatia	National Bank of Croatia
Cyprus	Central Bank of Cyprus
Gibraltar	The Commissioner of Currency
Guernsey	The Treasurer, States of Guernsey / Guernsey Financial Services Commission
Jersey	The Treasurer, States of Jersey / States of Jersey Financial Services Department
Isle of Man	The Treasurer, Isle of Man Government / Isle of Man Financial Supervision Commission
Macedonia	National Bank of Macedonia
Malta	Central Bank of Malta
Norway	Norges Bank
Slovenia	Banka Slovenije

Central Banks - Other Western Europe (continued)

Switzerland and Liechtenstein	Schweizerische Nationalbank Bank for International Settlements
Turkey	Banque Centrale de la République de Turquie SA
Yugoslavia, (former Kosovo, Montenegro, Serbia, Vojvodina)	National Bank of Yugoslavia (Narodna Bank Jugoslavije)

Other OECD countries

Australia	Reserve Bank of Australia
Canada	Bank of Canada
Czech Republic	Czech National Bank (Ceská Národni Banka)
Hungary	National Bank of Hungary (Magyar Nemzeti Bank)
Iceland	Central Bank of Iceland (Sedlabanki Islands)
Japan	The Bank of Japan
Korea (South)	The Bank of Korea
Mexico	Banco de México SA
Poland	National Bank of Poland (Narodowy Bank Polski)
New Zealand	Reserve Bank of New Zealand
United States	Federal Reserve System (comprising the Federal Reserve Board and 12 Federal Reserve banks)

Eastern Europe

Albania	Bank of Albania
Armenia	Central Bank of the Republic of Armenia
Azerbaijan	National Bank of Azerbaijan
Belarus	National Bank of Belarus
Bulgaria	National Bank of Bulgaria (Bulgarska Narodna Banka) Bulgarian Foreign Trade Bank
Estonia	Bank of Estonia (Eesti Pank)
Georgia	National Bank of Georgia
Kazakhstan	National State Bank of Kazakhstan
Kirgizstan (Kyrgyzstan)	National Bank of Kyrgyzstan
Latvia	Bank of Latvia (Latvijas Banka)
Lithuania	The Bank of Lithuania (Lietuvos Bankas)
Moldova	National Bank of Moldova
Romania	National Bank of Romania
Russia	Central Bank of the Russian Federation
Slovakia, the Republic of	National Bank of Slovakia (Národná Banka Slovenska)
Tajikistan	National Bank of Tajikistan
Turkmenistan	State Central Bank of Turkmenistan
Ukraine	National Bank of Ukraine
Uzbekistan	State Bank of Uzbekistan

Central Banks (continued)

Latin America and Caribbean

Argentina	Banco Central de la Republica Argentina
Aruba	Centrale Bank van Aruba
Bahamas	Central Bank of the Bahamas
Barbados	Central Bank of Barbados
Belize	Central Bank of Belize
Bermuda	Bermuda Monetary Authority
Bolivia	Banco Central de Bolivia
Brazil	Banco Central do Brazil
British Virgin Islands	Commissioner of Currency
Cayman Islands	Cayman Islands Currency Board
Chile	Banco Central de Chile
Colombia	Banco de la República (Colombia)
Costa Rica	Banco Central de Costa Rica
Cuba	Banco Nacional de Cuba
Dominican Republic	Banco Central de la Republica Dominicana
El Salvador	Banco Central de Reserva de El Salvador
Falkland Islands	The Commissioner of Currency
Guatemala	Banco de Guatemala
Guyana	Bank of Guyana
Haiti	Banque de la République d'Haiti
Honduras	Banco Central de Honduras
Jamaica	Bank of Jamaica
Netherlands Antilles	Bank van de Nederlandse Antillen
Nicaragua	Banco Central de Nicaragua
Panama	Banco Nacional de Panama
Paraguay	Banco Central de Paraguay
Peru	Banco Central de Reserva del Peru
Suriname	Centrale Bank van Suriname
Uruguay	Banco Central del Uruguay
Anguilla	}
Antigua and Barbuda	}
Dominica	}
Grenada	}
Montserrat	} Eastern Caribbean Central Bank
St Kitts - Nevis	}
Saint Lucia	}
Saint Vincent and the Grenadines	}
Turks and Caicos Islands	}

Central Banks (continued)

Middle East oil exporting countries

Bahrain	Bahrain Government
	Bahrain Monetary Agency
Dubai	Government of Dubai
Iran	Bank Markazi Jomhouri Islami Iran
Iraq	Central Bank of Iraq
Kuwait	Central Bank of Kuwait
	Kuwait Investment Authority
	Kuwait Investment Office (London) - regard as non-resident
	Government of Kuwait: Ministry of Finance
Libyan Arab Jamahiriya	Central Bank of Libya
Oman	Central Bank of Oman
Qatar	Qatar Central Bank
	Government of Qatar
Saudi Arabia	Saudi Arabian Monetary Agency
United Arab Emirates[1]	Abu Dhabi Investment Authority
	Central Bank of the United Arab Emirates
	Government of Dubai

Other oil exporting countries

Algeria	Banque Centrale d'Algérie
Brunei	Brunei Currency Board
	Brunei General Reserve Fund
	Brunei Investment Agency
Ecuador	Banco Central del Ecuador
Indonesia	Bank Indonesia
Nigeria	Central Bank of Nigeria
Trinidad and Tobago	Central Bank of Trinidad and Tobago
Venezuela	Banco Central de Venezuela

Other Africa

Angola	Banco Nacional de Angola
Botswana	Bank of Botswana
Burundi	Banque de la République du Burundi
Cape Verde	Banco de Cabo Verde
Comoros	Banque Centrale des Comoros
Congo, Democratic Republic	Banque du Congo
Djibouti	Banque Nationale de Djibouti
Egypt	Central Bank of Egypt
Eritrea	National Bank of Eritrea
Ethiopia	National Bank of Ethiopia

[1] United Arab Emirates includes Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain, Ras al-Khaimah and Fujairah

Central Banks - Other Africa (continued)

Gambia	Central Bank of the Gambia
Ghana	Bank of Ghana
Guinea	Banque Centrale de la République de Guinée
Guinea-Bissau	Banco Central da Guiné-Bissau
Kenya	Central Bank of Kenya
Lesotho	Central Bank of Lesotho
Liberia	National Bank of Liberia
Madagascar	Banque Centrale de la République Malgache
Malawi	Reserve Bank of Malawi
Mauritania	Banque Centrale de Mauritanie
Mauritius	Bank of Mauritius
Morocco	Banque Al-Maghrib
Mozambique	Banco de Moçambique
Namibia	Bank of Namibia
Rwanda	Banque Nationale du Rwanda
St Helena	Commissioners of Currency
Sao Tome and Principe	Banco Nacional de São Tomé e Principe
Seychelles	Central Bank of the Seychelles
Sierra Leone	Bank of Sierra Leone
Somalia	Central Bank of Somalia
South Africa	South African Reserve Bank
Sudan	Bank of Sudan
Swaziland	Central Bank of Swaziland
Tanzania	Bank of Tanzania
Tunisia	Banque Centrale de Tunisie
Uganda	Bank of Uganda
Zambia	Bank of Zambia
Zimbabwe	Reserve Bank of Zimbabwe
Cameroon	}
Central African Republic	}
Chad	} Banque des États de l’Afrique Centrale
Congo	}
Equatorial Guinea	}
Gabon	}
Benin	}
Burkina Faso	}
Côte d’Ivoire (Ivory Coast)	}
Mali	} Banque Centrale des États de l’Afrique de l’Ouest
Niger	}
Senegal	}
Togo	}

Central Banks (continued)

Far East

Afghanistan	Da Afghanistan Bank (The Central Bank of Afghanistan)
Bangladesh	Bangladesh Bank
Bhutan	Bank of Bhutan
	Royal Monetary Authority of Bhutan
Cambodia	Banque Nationale du Cambodge
China	People's Bank of China
Hong Kong	Hong Kong Monetary Authority
India	Reserve Bank of India
Korea (North)	Central Bank of the Democratic People's Republic of Korea
Lao People's Democratic Republic	Banque d'Etat de la République Democratique Populaire Laos
Macao	Instituto Emissar de Macao
Malaysia	Bank Negara Malaysia
Maldives	Maldives Monetary Authority
Mongolia	State Bank of Mongolia
Myanmar, Union of (formerly Burma)	Central Bank of Myanmar
Nepal	Nepal Rastra Bank
Pakistan	State Bank of Pakistan
Philippines	Central Bank of the Philippines (Bangko Sentral ng Pilipinas)
Singapore	Government of Singapore Investment Corporation
	Monetary Authority of Singapore
	The Board of Commissioners of Currency
Sri Lanka	Central Bank of Sri Lanka
Taiwan	Central Bank of China (Taiwan)
Thailand	Bank of Thailand
Vietnam	National Bank of Vietnam

Other

Fiji	Reserve Bank of Fiji
Israel	Bank of Israel
Jordan	Central Bank of Jordan
Kiribati	Government of Kiribati
Lebanon	Banque du Liban
Palestinian Autonomy	Pelestine Monetary Authority
Papua New Guinea	Bank of Papua New Guinea
Solomon Islands	Central Bank of the Solomon Islands
Syrian Arab Republic	Central Bank of Syria
Tonga	National Reserve Bank of Tonga
Vanuatu	Central Bank of Vanuatu
Western Samoa	Central Bank of Western Samoa
Yemen, The Republic of	Central Bank of Yemen

Central Banks (continued)

Countries : Notes regarding geographical coverage

For the purposes of the supervisory returns, the following apply :-

Country	Also includes
Australia	Ashmore and Cartier Islands, Australian Antarctic Territory, Christmas Island, Cocos (Keeling) Islands, Coral Sea Islands, Heard and McDonald Islands, Norfolk Island
British Indian Ocean Territory	Chagos Archipelago
Comoros	Mayotte
Falkland Islands	South Georgia, South Sandwich Group
French Polynesia	Society Archipelago, Marquesas Islands, Austral Islands, Tuamotu Archipelago
Indonesia	East (formerly Portuguese) Timor
Italy	San Marino (but not Vatican City State)
Kiribati	Gilbert Islands, Line Islands (except Jarvis, Palmyra and Kingman Reef), Ocean Island, Phoenix Islands
New Zealand	Cook Islands, Niue, Ross Dependency, Tokelau
Norway	Bouvet Island, Dronning Maud Land, Jan Mayen, Peter I Island, Svalbard
Panama	Panama Canal Zone
Portugal	The Azores, Madeira
St Helena	Ascension, Tristan da Cunha
Spain	Balearic Islands, Canary Islands, Spanish North Africa
United Arab Emirates	Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain, Ras al-Khaimah, Fujairah
United States	American Samoa, Guam, Midway Islands, Puerto Rico, Wake Islands
US Trust Territories in the Pacific	Howland & Baker, Johnston Atoll, Jarvis Island, Kingman Reef, Marianas, Marshall Islands, Micronesia (Carolines), Palau, Palmyra

Appendix E

Multilateral Development banks

Only the following institutions are classified as MDBs for supervisory purposes:

International Bank for Reconstruction and Development (IBRD): “World Bank”

International Finance Corporation (IFC)

Inter-American Development Bank (IABD)

Asian Development Bank (AsDB)

African Development Bank (ADB)

European Investment Bank (EIB)

European Investment Fund (EIF)

Caribbean Development Bank (CDB)

Nordic Investment Bank (NIB)

European Bank for Reconstruction and Development (EBRD)

Council of Europe Social Development Fund

Inter-American Investment Corporation (IAIC)

Appendix F

The following lists show examples of UK public bodies which are classified as PSEs for the purposes of this return and also public bodies which are not classified as PSEs. These lists are illustrative and are not intended to be comprehensive. If doubt exists as to the appropriate classification of an organisation reference should be made to the FSA.

(i) UK public bodies eligible for classification as PSEs

(a) Local Authorities

Include London borough councils, county and district councils in Northern Ireland, parish, town and new Unitary authorities in England, and Wales, and district, island and regional councils in Scotland, together with those attached statutory departments (eg gas departments in Northern Ireland, water service departments). Also those bodies formed on 1 April 1986 to take over the assets and functions of the former metropolitan councils and the GLC, eg residuary bodies, joint police authorities, joint police and fire boards.

The following local bodies are also included in this category:

Central Scotland Water Development Board
Fire services
Forth Road Bridge Joint Board
Humber Bridge Board
Magistrates' Courts
Police Forces (including Metropolitan Police)
Passenger Transport Authorities/Executives
Probation Service in England and Wales
Scottish River Purification Boards
Tay Road Bridge Joint Board

(b) Non-commercial public corporations

The Audit Commission
Black Country Development Corporation
Bristol Development Corporation
Cardiff Bay Development Corporation
Central Manchester Development Corporation
Central Office of Information
Covent Garden Market Authority
Development Board for Rural Wales
Driving Standards Agency
English Industrial Estates Corporation
Highlands and Islands Enterprise
Land Authority for Wales
Leeds Development Corporation
Letchworth Garden City Corporation
New Towns Commission (and new town development corporations)
Northern Ireland Housing Executive
Oil and Pipelines Agency
Royal Mint
Scottish Enterprise
Scottish Homes
Sheffield Development Corporation
Teeside Development Corporation
Telford Development Corporation
Trafford Park Development Corporation
Tyne and Wear Development Corporation
United Kingdom Atomic Energy Authority
Urban Development Corporations
Welsh Development Agency
Welsh Fourth Channel Authority

The following UK public bodies are NOT classified as PSEs

Air Travel Trust
British Broadcasting Corporation
British Nuclear Fuels plc
British Railways Board
Buying Agency
Civil Aviation Authority
Commonwealth Development Corporation
Crown Estate Commissioners
Defence Research Agency
East of Scotland Water Authority

Fire Services Colleges
Forest Enterprise
HM Land Registry
Horserace Totalisator Board
Housing Action Trusts
Local Authority Airports
Local Authority Bus Companies
London Regional Transport
Meteorological Office
NHS Trusts
North of Scotland Water Authority
Patent office
Pilotage Commission
Post Office Corporation, include Post Office Counters Ltd
Remploy Ltd
Trust Ports in Northern Ireland
United Kingdom Nirex Ltd
West of Scotland Water Authority

Appendix G

Eligible banks (banks whose acceptances are eligible for discount at the Bank of England)

This list (21 May 2001) is issued by the Bank of England.

“An institution’s appearance on the list should not be misconstrued as evidence that it is qualitatively different in terms of financial soundness, standards of conduct or otherwise, from institutions which are not included on the list. The inclusion of an institution on this list does not mean that the Bank of England in any way guarantees its obligations.

ABN AMRO Bank NV
Allied Irish Banks plc
The Asahi Bank, Ltd
Australia & New Zealand Banking Group Ltd
Banca di Roma SpA
Banca Nazionale del Lavoro SpA
Banco Bilbao Vizcaya Argentaria SA
Banco Santander Central Hispano SA
Bank Austria AG
Bank Brussels Lambert
Bank of America, NA
The Bank of Ireland
Bank of Montreal
The Bank of Nova Scotia
Bank One, NA
Bank of Scotland
The Bank of Tokyo - Mitsubishi, Ltd
Barclays Bank plc
Bayerische Hypo-und Vereinsbank AG
Bayerische Landesbank Girozentrale
BNP Paribas
Brown, Shipley & Co Ltd
The Chase Manhattan Bank
CIBC World Markets plc
Citibank NA
Clydesdale Bank plc
Commerzbank AG
Commonwealth Bank of Australia
The Co-operative Bank plc
Crédit Agricole Indosuez
Crédit Industriel et Commercial
Crédit Lyonnais
Credit Suisse First Boston
The Dai-Ichi Kangyo Bank, Ltd
Danske Bank A/S
Den norske Bank ASA
Deutsche Bank AG
Dexia Banque Internationale à Luxembourg SA
Dresdner Bank AG
Fleet National Bank
Robert Fleming & Co Ltd
Fortis Bank S.A./N.V.
The Fuji Bank, Ltd
Halifax plc
HSBC Bank plc
The Industrial Bank of Japan, Ltd
ING Bank NV
IntesaBci SpA (Banca Intesa Banca Commerciale Italiana SpA)
KBC Bank NV
Lloyds TSB Bank plc
Lloyds TSB Scotland plc
Mellon Bank, NA
Merita Bank plc
The Mitsubishi Trust and Banking Corporation
Natexis Banques Populaires
National Australia Bank Ltd
National Westminster Bank plc
Northern Bank Ltd
Rabobank International (Coöperatieve Centrale Raiffeisen-Boerenleenbank BA)
N M Rothschild & Sons Ltd
Royal Bank of Canada
The Royal Bank of Scotland plc
Sanpaolo IMI SpA
The Sanwa Bank, Ltd
Singer & Friedlander Ltd
Skandinaviska Enskilda Banken AB (publ)
Société Générale
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Sumitomo Trust & Banking Co Ltd
Svenska Handelsbanken AB (publ)
The Tokai Bank, Ltd
The Toronto-Dominion Bank
UBS AG
UniCredito Italiano SpA
Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation
Yorkshire Bank plc”

Appendix H

Credit rating agencies

Please refer to Chapter TI (Interest rate position risk), Section 9, of the FSA Policy Guide/IPRU (BANK) for more detail.

For all issuers

Moody's Investors Service
Standard & Poor’s Corporation
FITCH IBCA

For all banks, Building Societies and parent companies and subsidiaries of banks

Thomson Bankwatch

For Canadian issuers

Canadian Bond Rating Service
Dominion Bond Rating Service

For Japanese issuers

Japan Credit Rating Agency, Ltd
Japan Rating and Investment Information Inc
Mikuno & Co

For United States issuers

Duff & Phelps, Inc

Appendix I

REPORTING SCHEDULE FOR SUPERVISORY RETURNS 2001

1. This schedule covers the period from **January 2001 to December 2001**. Not all the forms listed may be required from every reporting institution. The most common exceptions are covered in the footnotes. Individual reporting institutions which have been requested specifically by the FSA not to complete certain forms, or complete them less frequently or at different days from those shown below, should continue to follow their special arrangements.
2. The submission of these forms is covered by the rules and guidance set out in *SUP* 16.7.7R – *SUP* 16.7.15R. Failure to submit a report in accordance with the rules in *SUP* Chapter 16 may lead to the imposition of a financial penalty and other disciplinary actions (see ENF 13.5) once the Financial Services and Markets Act 2001 comes into force.
3. **Institutions should note that the due dates set out below are based on the Bank Holidays applicable in England. The due dates should be adjusted to take account of local Bank Holidays (but not Public Holidays) and any waivers or concessions agreed with the FSA**. Reporting institutions should telephone their regular supervisor in the FSA in advance of any difficulty they may have in meeting a deadline.
4. Banks with any questions on this reporting schedule may also ring Financial Risk Analysis and Monitoring Unit, FSA on 020 7676 0660.

Reporting date		**Forms**	**Due dates**					
2001			**Paper reporters**		**Electronic reporters**		**Submitted to FSA**	
							Via MFSD, Bank of England	Direct to supervisor at FSA
JANUARY	10	SLR1[1]	Thursday	18/01/01	Thursday	18/01/01	X	
FEBRUARY	14	SLR1[1]	Thursday	22/02/01	Thursday	22/02/01	X	
	28	LR[7]	Wednesday	14/03/01	Friday	16/03/01	X	
MARCH	14	SLR1[1]	Thursday	22/03/01	Thursday	22/03/01	X	
	30	BSD3[3], M1[3,4], LR[7], B7[5]	Tuesday	17/04/01	Thursday	19/04/01	X	
	30	LE2[6]	Tuesday	17/04/01	Thursday	19/04/01		X[2]
APRIL	11	SLR1[1]	Monday	23/04/01	Monday	23/04/01	X	
MAY	9	SLR1[1]	Thursday	17/05/01	Thursday	17/05/01	X	
	31	LR[8]	Thursday	14/06/01	Monday	18/06/01	X	
JUNE	13	SLR1[1]	Thursday	21/06/01	Thursday	21/06/01	X	
	29	BSD3[3], M1[3,4], LR[7], B7[5]	Friday	13/07/01	Tuesday	17/07/01	X	
	29	LE2[6],	Friday	13/07/01	Friday	13/07/01		X[2]
JULY	11	SLR1[1]	Thursday	19/07/01	Thursday	19/07/01	X	
AUGUST	8	SLR1[1]	Thursday	16/08/01	Thursday	16/08/01	X	
	31	LR[8]	Friday	14/09/01	Tuesday	18/09/01	X	
SEPTEMBER	12	SLR1[1]	Thursday	20/09/01	Thursday	20/09/01	X	
	28	BSD3[3], M1[3,4], LR[8], B7[5]	Friday	12/10/01	Tuesday	16/10/01	X	
	28	LE2[6],	Friday	12/10/01	Friday	12/10/01		X[2]
OCTOBER	10	SLR1[1]	Thursday	18/10/01	Thursday	1//10/01	X	
NOVEMBER	14	SLR1[1]	Thursday	22/11/01	Thursday	22/11/01	X	
	30	LR[8]	Friday	14/12/01	Tuesday	18/12/01	X	
DECEMBER	12	SLR1[1]	Thursday	20/12/01	Thursday	20/12/01	X	
	31	BSD3[3], M1[3,4], LR[7], B7[5]	Tuesday	15/01/02	Thursday	17/01/02	X	
	31	LE2[6],	Tuesday	15/01/02	Tuesday	15/01/02		X[2]

For footnotes, see over.

1. Form SLR1 should also be completed for any exception during the month. These exception reports should be submitted directly to your supervisor (and not the Bank of England).

2. Until notified by the FSA, these returns should be sent direct to your supervisor.

3. Forms BSD3 and M1 apply only to UK banks. They may be submitted alternatively on a different quarterly cycle to coincide with a reporting institution's accounting year end. Institutions wishing to report at dates which coincide with the financial year end should agree this with the FSA. For institutions reporting on an unconsolidated / solo consolidated basis, these forms must be completed within 10 business days of the reporting date (12 business days if reported electronically). Institutions reporting on a consolidated basis are required to submit Forms BSD3 and M1 at the reporting group's accounting year-end and half year -end. The consolidated forms must be returned within 20 business days of the reporting date (22 business days for electronic reporters).

4. Form M1 applies only to market makers holding loan capital issued by banks and non-resident banks. These reporting institutions are required to submit Form M1 in conjunction with Form BSD3.

5. Form B7 applies only to UK branches of banks established outside the EEA. Banks may complete Form B7 at dates coinciding with their accounting year-end: this should be agreed with the FSA.

6. Form LE2 applies only to UK banks. Those banks which complete Form LE2 on an unconsolidated basis should report at dates which coincide with Form BSD3. The form must be completed within 10 business days of the reporting date on an unconsolidated / solo consolidated basis, or 20 business days when completed on a consolidated basis.

7. Banks (other than those which report to the Bank of England on Form BT quarterly), should complete the Form LR as at end February, May, August and November. For those banks reporting to the Bank of England on Form BT quarterly, Form LR should be completed at end March, June, September and December.

8. These returns should be sent direct to your supervisor unless the FSA has requested otherwise..

9. Forms BSD3 and M1 apply only to UK banks. They may be submitted alternatively on a different quarterly cycle to coincide with a reporting institution's accounting year end. Institutions wishing to report at dates which coincide with the financial year end should agree this with the FSA. For institutions reporting on an unconsolidated / solo consolidated basis, these forms must be completed within 10 business days of the reporting date (12 business days if reported electronically). Institutions reporting on a consolidated basis are required to submit Forms BSD3 and M1 at the reporting group's accounting year-end and half year -end. The consolidated forms must be returned within 20 business days of the reporting date (22 business days for electronic reporters).

10. Form M1 applies only to UK banks which have been granted a trading book concession, or have qualifying holdings in non-financial companies. These reporting institutions are required to submit Form M1 in conjunction with Form BSD3.

Appendix J

GUIDELINES FOR COMPLETING FORMS FOR SCANNING

For hand-written returns only:-

1 Write **neatly**.

2 Do **not join** numbers together.

For hand-written, typed or computer produced paper returns:-

3 Figures should be **fully** inside the databoxes and not touching the surrounding edges of the databox.

4 Commas and dots should **not** be used to indicate thousands and millions but you may leave spaces if you find it helpful e.g.1293 or 1 293 are acceptable; 1,293 or 1.293 are not.

5 Boxes that are nil returns should be left **blank**. Do **not** write "NIL", "ZERO", "N/A" or other text in databoxes. Similarly do **not** put dashes, 0, strike through or shade sections of the return that are not relevant for your institution.

6 Where appropriate, tick boxes should contain a tick. If it is not technically possible to reproduce a tick, any mark in these boxes will be read as a tick.

7 Negative entries should be indicated by a **minus sign** preceding the figure. Brackets should **not** be used.

8 Computer produced paper returns should be printed using a HP III printer driver. Most laser printers are able to emulate a HP III driver.

9 Ensure the print quality is good, ie no smudging, fading, etc.

10 You should send all the sheets not just the ones that have data on.

11 Returns should be printed in the correct order with **single-sided** pages (not back-to-back) and should have no **missing** or **additional** pages. It is **not** necessary to use coloured paper for returns printed on coloured paper by the Bank of England. Pre-printed forms issued by the Bank of England should **not** be copied onto single sheets of paper before submission.

12 Returns consisting of pre-printed Bank of England pages combined with pages from the Excel 97 spreadsheet or with Software House output cannot be accepted for processing. Returns should consist entirely of one (accepted) version of the form.

13 Banks choosing to use Excel 97 versions of the returns should **not** amend the forms of the returns in any way. Do not attempt to convert the spreadsheet to Microsoft Excel 5 or any other spreadsheet type.

14 Do not staple covering letters to the returns.

15 Do not hole-punch the returns.

16 **Faxes** of most returns will be accepted but these should be **correctly aligned** on the paper. However, the Bank of England request that, owing to their size, reporting institutions do not submit the Forms B1, C1, DQ or any of the "C" Forms by fax. Banks are strongly encouraged to send paper returns of these forms to reach the Bank in advance of the deadlines, but the Bank understands that on occasion the use of fax is the only means of avoiding returns arriving late. In this case, the Bank asks reporting institutions to telephone and inform it of the problems. The original version of the return should **not** be sent to the Bank of England (unless specifically requested) providing an authorised official signed the faxed version.

17 Any forms submitted with text (ie B7, BSD3) should have all text items completed in CAPITAL LETTERS and should be computer generated or typed.

If you wish to check that the output produced from spreadsheets is suitable for scanning, the Bank of England will be happy to test the output for you. Please send your test output to Julie Bigwood at the address shown on the front of the form.

SUP 16 Ann 3R: Building societies' reporting forms

1. MFS1
2. MFS1 Supp
3. MFS2
4. QFS1
5. QFS2
6. AFS1

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ……………………………………………………………………

Section A: Data Transmission

The following return has been successfully transmitted:

1. First transmission ☐
2. Re-transmission # ☐
3. Return Type ………… (i.e. MFS1, TABA, QFS1 etc)
4. Period ending ………… (e.g. Aug-2001)

\# If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

Section B: Declaration Statement **

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

Return completed by:

Name: ……………………………………………………

Position Held: ……………………………………………………

Tel No: ……………………………………………………

Signed: …………………………………………………… Date:……………………

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society

Monthly Statement MFS1

FMS number

FSA register number

Month ended / /

Tables enclosed (tick) Tables B to G ☐ Table A ☐

Name of society

Statement Completed by:

Name (BLOCK LETTERS):

Position held:

Signature: Date:

Telephone STD Code: No: Extn:

Address

Post Code:

Summary of Contents	**Table**
Summary Balance Sheet: Society and Group	A
Balance Sheet : Liabilities	B (1)
Balance Sheet : Liabilities (continued)	B(2)
Balance Sheet : Assets	B(3)
Balance Sheet : Assets (continued)	B(4)
Balance Sheet : Assets (continued)	B(5)
Balance Sheet : Assets (continued)	B(6)
Balance Sheet : Eligible Liabilities	B(7)
Shares	C
Deposits and Debt Securities	D
Liquid assets	E
Loans and Investments	F(1)
Loans and Investments (continued)	F(2)
Interest rates	G

Table: A is for the Group
B to G are for society only

Notes on completion:

- For details of items please refer to Guidance Notes
- If you have any queries please telephone 020-7676-0630 or 0690
- See Introduction, paragraph 7 (iv) of Guidance Notes for treatment of negative values
- Enter amounts throughout in £ thousands
- Show interest rates and percentages to 2 decimal places
- A separate return MFS2 must be completed for each subsidiary undertaking doing "core" business (as defined in paragraph 5 (ii) of Introduction to Guidance Notes)
- The statement must be completed monthly and submitted in 2 parts (each with a copy of this front sheet) to:

Financial, Risk Analysis and Monitoring Unit
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

as follows

		Largest societies	Other societies
Tables B to G	:	within 7 business days	10 business days
Table A	:	within 9 business days	12 business days

MFS1
(V/200598)N2R

A SUMMARY BALANCE SHEET : Society and Group (£000s)

Society: Month ended : ..../.....

A

		Society	Subsidiary undertakings: Deposit takers	Secured lenders	Unsecured lenders	Other "core" subsidiary undertakings	Other subsidiary undertakings	Consolidation adjustments	GROUP (Consolidated)
	Liabilities								
A1	Shares								
A2	Deposits and debt securities								
A3	Capital								
A4	Long term insurance liabilities								
A5	Other liabilities								
A6	Minority interests								
A7	TOTAL LIABILITIES								
	Assets								
A8	Liquid assets								
A9	Loans and investments								
A9.1	Loans FSRP to individuals								
A9.2	Loans FSRP to others								
A9.3	Other loans fully secured on land								
A9.4	Other loans to customers								
A9.5	Investments								
A9.6	Provisions								
A10	Fixed assets								
A11	Long term insurance funds								
A12	Other assets								
A13	TOTAL ASSETS								

B(1) BALANCE SHEET : LIABILITIES: Society

(£000s)

Society: Month ended: ..../ .....

B(1)

		Sterling	*Euro*	*Other currencies*	*Total*
	Shares				
B1.1	UK non-bank non b/soc private sector				
B1.2	Non-resident sector				
B1.3	Interest accrued				
B1.4	TOTAL shares				
	Deposits and debt securities				
B2.0	Deposits from individuals				
a	UK non-bank non b/soc private sector				
b	Non-resident sector				
c	Interest accrued				
d	TOTAL deposits from individuals				
	Other deposits				
B2.1	UK non-bank non b/soc private sector (other than B2.3)				
B2.2 a	Building society deposit subsidiaries : Soc's own				
b	: Other socs'				
B2.3	Building society other subsidiaries : Soc's own				
B2.4	Building societies				
B2.5 a	UK banking sector : Bank of England *				
b	: Other				
	UK public sector:				
B2.6	Central government				
B2.7	Local authorities				
B2.8	Public corporations				
B2.9	Non- resident sector				
B2.10	TOTAL other deposits				
	Borrowing from banks				
B2.11	UK banking sector				
B2.12	Non- resident sector				
B2.13	TOTAL borrowing from banks				

* B2.5a Sterling Of which: repo liabilities to the B of E.

....

MFS1

(V/200598)N2R

B(2) BALANCE SHEET : LIABILITIES (continued): Society (£000s) Society: Month ended: ..../ ..... B(2)

Code	Item	*Sterling*	*Euro*	*Other currencies*	*Total*
	Debt securities				
B2.14	Certificates of deposit				
B2.15	Commercial paper				
	Bonds, notes, other instruments:				
B2.16	Up to 5 years original maturity				
B2.17	Over 5 years original maturity				
B2.18	TOTAL debt securities				
B2.19	Interest accrued				
B2.20	TOTAL deposits and debt securities				
	Capital				
B3.1	Reserves				
B3.2	Subscribed capital				
B3.3	Revaluation reserves				
B3.4	Subordinated debt (qualifying)				
B3.5	Other capital				
B3.6	TOTAL capital				
	Other liabilities				
B4.1	Income tax				
B4.2	Corporation tax				
B4.3	Interest accrued on capital				
B4.4	Long term insurance liabilities				
B4.5	Other				
B4.6	TOTAL other liabilities				
B4.7	Minority interests				
B5	TOTAL LIABILITIES				
	Memorandum items:				
B/ML1	Transit and suspense (liabilities)				
B/ML1a	Of which : items in suspense				
B/ML1b	: credit items in transmission				

B(3) BALANCE SHEET : ASSETS: Society

(£000s)

Society: Month ended: ..../ .....

Liquid assets		*Sterling*	*Euro*	*Other currencies*	*Total*	
B6.1	Cash (notes & coins)					
B6.2	Deposits with central banks					
a	Bank of England (*)					* B6.2a: See note a) on page B(5)
b	Non-resident sector					
c	TOTAL Deposits with central banks					
B6.3	Bank deposits					
a	UK banking sector (*)					* B6.3a: See note a) on page B(5)
b	Non-resident sector					
c	TOTAL Bank deposit					
B6.4	Certificates of deposit					
a	Building Societies					
b	UK banking sector					
c	Non-resident sector					
d	TOTAL Certificates of deposit					
B6.5	Other money market instruments					
a	Building societies					
b	UK banking sector					
c	Other UK sector					
d	Non-resident sector					
e	TOTAL Other money market instruments					
B6.6	Bonds, notes and other capital instruments					
	a) up to 5 years original maturity					
a1	Building societies					
a2	UK banking sector					
a3	Non-resident sector					
	b) over 5 years original maturity					
b1	Building societies					
b2	UK banking sector					
b3	Non-resident sector					
	c) TOTAL Bonds, notes etc					

Liquid assets (continued)		*Sterling*	*Euro*	*Other currencies*	*Total*
B6.7	Bills				
a	UK Treasury				
b	UK banking sector				
c	TOTAL Bills				
B6.8	Local Authority				
a	Temporary debt				
b	Long term debt - listed securities				
c	Long term debt - other				
d	TOTAL Local Authority				
B6.9	Certificates of tax deposit				
B6.10	Mortgage backed securities a) up to 5 years original maturity				
a1	Building societies				
a2	UK banking sector				
a3	Other UK sector				
a4	Non-resident sector				
	b) over 5 years original maturity				
b1	Building societies				
b2	UK banking sector				
b3	Other UK sector				
b4	Non-resident sector				
	c) TOTAL Mortgage backed securities				

B(5) BALANCE SHEET : ASSETS (continued): Society (£000s)

Society: Month ended: ..../ .....   B(5)

		Sterling	*Euro*	*Other currencies*	*Total*
	Liquid assets (continued)				
B6.11	Sovereign securities				
	a) Sovereign debt				
a1	UK government securities				
a2	Overseas government				
	b) Sovereign backed or supported by				
b1	UK government				
b2	Overseas government				
	c) TOTAL Sovereign securities				
B6.12	Other liquid assets with:				
a	Building society sector				
b	Other UK sector				
c	Non-resident sector				
d	TOTAL Other Liquid assets				
B6.13	Interest accrued				
B6.14	TOTAL Liquid assets				
Note a)	**Of which : non-interest bearing with :**				
	Bank of England (part of B6.2a)				
OW1.1	Cash ratio deposits				
OW1.2	Other non-interest bearing				
OW1.3	Other UK Banking Sector (part of B6.3a)				
OW1.4	TOTAL non-interest bearing				

B(6) BALANCE SHEET : ASSETS (continued): Society (£000s)

Society: **Month ended: ..../ .....** **B(6)**

Code	Loans and Investments	*Sterling*	*Euro*	*Other currencies*	*Total*	
B7.1	Loans fully secured on residential property to:					
a	Individuals					
b	Housing associations					
c	Other					
B7.2	Other loans fully secured on land to:					
a	Individuals					
b	Housing associations					
c	Other					
B7.3	Other loans to customers:					
a	Individuals					
b	Other					
B7.4	Investments					
B7.5	TOTAL Loans and Investments (Gross)					
B7.6	Provisions					
B7.7	TOTAL Loans and Investments (Net)					= B7.5 - B7.6
B7.8	Analysis of B7.5 by sector:					
a	UK public sector					Note: B7.8 should only be completed by those societies who also complete form QFS2.
b	UK banking sector					
c	Building society sector					
d	Other UK (private) sector					
e	Non-resident sector					
B8	Fixed assets					
B9	Long term insurance funds					
B10	Other assets					
B11	TOTAL ASSETS					
	Memorandum item:					
B/MA 1	Transit and suspense (assets)					
B/MA1a	Of which : items in suspense					
B/MA1b	: debit items in transmission					

B(7) BALANCE SHEET : ELIGIBLE LIABILITIES : Society

£000's | **Society** | **Month ended ..../.....** | B(7)

Sterling (except where indicated)

Item	Description	£000's	Source
B20.1	Sterling share and deposit liabilities		*(B1.1+ B1.2 + B2.0a + B2.0b + B2.10 + B2.13 + B2.14 + B2.15 + B2.16)*
B20.2	Sterling items in suspense		*(B/ML1a)*
B20.3	60% of sterling credit items in the course of transmission		*(60% of item shown at B/ML1b)*
B20.4	Net currency liabilities (if positive)		*(B5[Column 2+3] minus B11[Column 2+3])*
B20.5	Total of items 1 to 4 above		
B20.6	Sterling repo liabilities with the Bank of Engand		*(Column 5 of item B2.5a)*
B20.7	Sterling funds lent to UK banks		*(B6.3a + B/ML1b minus B/MA1b + (B6.4b + B6.5b + B6.6a2 + B6.10a2)*
B20.8	Sterling funds lent to other building societies		*(B6.4a + B6.5a + B6.6a1 + B6.10a1+ B6.12a)*
B20.9	60% of sterling debit items in the course of collection		*(60% of item shown at B/MA1b)*
B20.10	Sterling balances with the Bank of England (excluding CRD's)		*(B6.2a minus OW1.1)*
B20.11	Total of items 6 to 10 above.		
B20.12	Over 2 year sterling share and deposit liabilities (optional)		
B20.13	Non-resident offices adjustment (optional)		
B20.14	Total ELIGIBLE LIABILITIES (item 5 minus items 11, 12 and 13)		

C SHARES (excluding accrued interest): Society (£000s)

Society: Month ended: ..../ C

		Balance at end of previous month	Receipts	Withdrawals	Interest paid: Gross	Interest paid: Tax deducted	Interest credited: Gross	Interest credited: Tax deducted	Other (debits)/credits and transfers(net)	Balance at end of month	
C1	TOTAL Shares (a)										= B1.4 - B1.3

		Balance at end of previous month	Net receipts	Other (debits)/credits and transfers (net)	Interest credited: Gross	Interest credited: Tax deducted	Balance at end of month	Gross weighted average interest rate (CAR) %
C2	Analysis by account type (original maturity)							
C2.1	Instant access (0-7 days)							
C2.2	Notice : 1 month (8-45 days)							
C2.3	2 months (46-75 days)							
C2.4	3 months (76 or more)							
C2.5	Term : Less than 6 months							
C2.6	6 months < 12 months							
C2.7	1 year < 2 years							
C2.8	2 years < 5 years							
C2.9	5 years and over							
C2.10	Contractual : Tessa							
C2.11	Other							
C2.12	Other							
C2.13	TOTAL shares (b)			= C1[8]			= C1[9]	
C2.14	Of which : ISAs							

		Balance at end of month
C3	Shares analysis (sums to C1[9])	
C3.1	Shares held by individuals	
C3.2	Shares held by others	

		Balance at end of month
C4	Large share and deposit holdings (see section C4 of guidance notes)	
C4.1	Single holdings in excess of 0.25% SDL (c)	

Note a) Column 9 = Col 1 + Col 2 - Col 3 + Col 6 - Col 7 + Col 8
b) Column 6 = Col 1 + Col 2 + Col 3 + Col 4 - Col 5
c) SDL here should also exclude accrued interest

D DEPOSITS AND DEBT SECURITIES (excluding accrued interest): Society (£000s)

Society: Month ended: ..../ .....

D

		Balance at end of previous month	Receipts	Withdrawals / Repayments	Interest paid: Gross	Interest paid: Tax deducted	Interest credited: Gross	Interest credited: Tax deducted	Other (debits)/credits and transfers(net)	Balance at end of month
D1	*Deposits and debt securities*									
D1.1	*Deposits from individuals*									= B2.0a + b
D1.2	*Other deposits and debt securities*									
D1.3	*TOTAL Deposits and debt securities (a)*									

a) Column 9 = Col 1 + Col 2 - Col 3 + Col 6 - Col 7 + Col 8

= B2.20 - B2.19 - B2.0c

		Maximum drawn down at any time during month	Position at end of month: Drawn down	Position at end of month: Undrawn
D2	Committed facilities			
D2.1	Banks			
D2.2	Other sources			
D2.3	All sources	*	**	**

Note: * This will not necessarily be the sum of the 2 boxes above

* * This box will be the sum of the 2 boxes above

NB: Large deposit holdings: See Table C(4) for reporting requirements.

E LIQUID ASSETS (NB including accrued interest): Society (£000s)

Society: Month ended: ..../..... E

		Balance outstanding at end of month				
		As per balance sheet	*Intermediate Workings* *Ineligible amounts*	*Market value(MV)*	*Discounted value*	***Amount of prudential liquidity (a)***
E1	Realisable within :					
E1.1	Up to 8 days					
	Gilts with residual maturities					
a.	less than 1 year				=MV	
b.	1 to 5 years				=(MVx0.95)	
c.	Over 5 years				=(MVx0.90)	
d.	TOTAL gilts			= sum of all above	= sum of all above	= Discounted value in previous column
e.	Other					= Column 1 - Column 2
E1.2	9 days up to 3 months					= Column 1 - Column 2
E1.3	Over 3 months					= Column 1 - Column 2
E1.4	TOTAL liquid assets	= B6.14				= Sum of all above

		Amount	***As % total SDL(b)***	***Date***
E2	Amounts of prudential liquidity at any time during the month (end day balance)			
E2.1	Minimum total prudential liquidity			
E2.2	Maximum total building society holdings			

		Balance at end month
E3	Building society holdings	

Note a) Show amounts after making relevant deductions, adjustments as in Chapter 5 of Vol. 1 of the IPSB for Building Societies.

b) SDL, as defined in guidance notes, includes accrued interest

F(1) LOANS & INVESTMENTS : Society

(£000's)

Society: Month ended : ..../..... F(1)

		Balance at end of previous month	Advances/payments made in month	Interest earned in month	Repayment/realisation of principal	Repayment of interest	Write offs/ depreciation in month	Other debits/(credits) and transfers (net)	Balance at end of month (a)	
F1	Loans fully secured on residential property (FSRP):									
F1.1	Individuals									= B7.1a
F1.2	Housing associations									= B7.1b
F1.3	Other									= B7.1c
F1.4	TOTAL loans FSRP									
F2	Other loans fully secured on land (FSOL) :									
F2.1	Individuals									= B7.2a
F2.2	Housing associations									= B7.2b
F2.3	Other									= B7.2c
F2.4	TOTAL other loans FSOL									
F3	Other loans to customers : individuals.									
F3.1	Bridging loans									
F3.2	Personal loans									
F3.3	Credit cards									
F3.4	Overdrafts									
F3.5	Other									
F3.6	TOTAL other loans to individuals									= B7.3a
F4	Other loans to customers : other.									
F4.1	Connected undertakings									
F4.2	Other									
F4.3	TOTAL other loans to customers									= B7.3b
F5	Investments									
F5.1	Shares in connected undertakings									
F5.2	Loans to connected undertakings									
F5.3	Other equity shares									
F5.4	TOTAL Investments									= B7.4

		Regular repayment	On redemption	Other repayment	Total	
F6	Loans : Analysis of repayments of principal					
F6.1	Loans FSRP to individuals					= F1.1[4]
F6.2	Other loans FSRP and other loans FSOL					= (F1.2 [4] + F1.3 [4] + F2.4 [4])
F6.3	TOTAL Repayment of principal					

Note

a) Column 8 = Col 1 + Col 2 + Col 3 - Col 4 - Col 5 - Col 6 + Col 7

(F2) LOANS AND INVESTMENTS (continued) : Society (£000s) Society: Month ended : ..../.......... F(2)

		Commitments outstanding at end of previous month	*Commitments made since end of previous month*	*Cancellations in month*	*Advances made in month* (b)	*Commitments outstanding at end of month*
F7	Loan commitments					
F7.1	Loans FSRP to individuals					
F7.2	Loans FSRP to others					
F7.3	Other loans fully secured on land					
F7.4	TOTAL loan commitments (a)					

		Number at end of month (c)
F8	Numbers of mortgages outstanding	
F8.1	Mortgages FSRP to individuals	
F8.2	Mortgages FSRP to others	
F8.3	Other mortgages fully secured on land	

		Transactions in month			*Balance at end month on loan assets subject to non-recourse funding*
F9	Loan book acquisitions (and sales) and loans securitised and/or subject to non-recourse funding	*Books acquired* *(d)*	*Books sold* *(e)*	*Loans securitised* *(f)*	*(g)*
F9.1	Loans fully secured on residential properties				
	a. Individuals				
	b. Housing associations				
	c. Other				
	d. TOTAL				
F9.2	Other loans fully secured on land				
F9.3	Other loans to customers				
	a. Individuals				
	b. Others				
	c. TOTAL				

Notes
a) Column 5 = Col 1 + Col 2 - Col 3 - Col 4
b) Entries here should agree with relevant items in Column 2 of F1 to F2
c) Numbers here relate to corresponding balances shown at B7.1 and B7.2
d) Included within "other debits/(credits)" in main analysis
e) Included within "other debits/(credits)" in main analysis
f) Included within "other debits/(credits)" in main analysis
g) Such assets will be subject to "linked presentation" accounting treatment in the balance sheet. The amount shown here should be "gross assets".

G INTEREST RATES (Gross rates) : Society (£000s)

Society: **Month ended ..../ ......** G

		Balances at end of month (a)				*Interest rates at end of month (to 2 decimal places)*				*Interest rates decided but not implemented at end of month (b)*		
		TOTAL £000s	*Cross references*	*Of which at : Fixed rates £000s*	*Variable rate £000s*	*Basic rate %*	*Weighted average nominal rate on all balances %*	*on balances at fixed rates %*	*on balances at variable rates %*	*Basic rate %*	*Date effective (dd/mm) New borrowers*	*Existing borrowers*
G1	Shares		= B1.4									
G2	Deposits and debt securities		= B2.20									
G3	Capital instruments		= B3.2 + B3.4 + B3.5 + B4.3									
G4	Liquidity		= B6.14									
G5	Loans and advances											
	Loans FSRP to individuals:											
G5.1	total		= B7.1a									
G5.2	advances in month		= F1.1 [2]									
	Other loans FSRP and other loans FSOL:											
G5.3	total		= B7.1b +B7.1c+ B7.2a to c									
G5.4	advances in month		= F1.2[2] +F1.3[2]+ F2.4[2]									
	All loans fully secured on land:											
G5.5	total		= [G5.1 + G5.3]									
G5.6	advances in month		= [G5.2 + G5.4]									
G5.7	Other loans to customers : individuals		= B7.3a									
G5.8	Other loans to customers : other		= B7.3b									
G5.9	OVERALL total balance/average weighted rate on loans above											

Notes a) Balances include accrued interest
b) Give the latest known interest rate decisions as of the date of submission of the return. Where a new interest rate has already been implemented for new borrowers before the reporting month ended, please give the effective date.

BUILDING SOCIETY: MONTHLY STATEMENT

MFS1: CROSS CHECKS (other than those shown on return):

A1	col 1	=	B1.4	col 4	Total shares
A2	col 1	=	B2.20	col 4	Total Deposits and debt securities
A3	col 1	=	B3.6	col 4	Total capital
A4	col 1	=	B4.4	col 4	Long term insurance liabilities
A5	col 1	=	B4.6 - B4.4	col 4	Total other liabilities
A6	col 1	=	B4.7	col 1	Minority interests
A7	col 1	=	B5	col 4	Total liabilities
A8	col 1	=	B6.14	col 4	Total liquid assets
A9.1	col 1	=	B7.1a	col 4	Loans FSRP to individuals
A9.5	col 1	=	B7.4	col 4	Investments
A9.6	col 1	=	B7.6	col 4	Provisions
A10	col 1	=	B8	col 4	Fixed assets
A11	col 1	=	B9	col 4	Long term insurance funds
A12	col 1	=	B10	col 4	Other assets
A13	col 1	=	B11	col 4	Total assets

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ……………………………………………………………………………

Section A: Data Transmission

The following return has been successfully transmitted:

1. First transmission ☐
2. Re-transmission # ☐
3. Return Type ………… (i.e. MFS1, TABA, QFS1 etc)
4. Period ending ………… (e.g. Aug-2001)

If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

Section B: Declaration Statement **

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

Return completed by:

Name: ………………………………………………

Position Held: ………………………………………………

Tel No: ………………………………………………

Signed: ……………………………………………… Date:……………………

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society
Monthly Supplementary Statement MFS1

FMS number	
FSA register number	
Month ended	/ /

Summary of Contents | **Table**

Summary of Contents	Table
Balance Sheet Liabilities : Sectoral Analysis	B (8)
Balance Sheet Assets : Sectoral Analysis	B(9)
Balance Sheet Assets : Sectoral Analysis	B(10)
Balance Sheet : Repo & Stocklending	B(11)

Name of society

Statement Completed by:

Name (BLOCK LETTERS):

Position held:

Signature: Date:

Telephone STD Code: No: Extn:

Notes on completion:

- For details of items please refer to Guidance Notes
- If you have any queries please telephone 020-7676-0630 or 0690
- This statement should only be completed by those societies required to complete the MFS1 return to the faster timetable. It must be submitted by close on the 7th business day after the month end.

Financial, Risk Analysis and Monitoring Unit
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

MFS1 SUPPLEMENT 1(a) : BALANCE SHEET : LIABILITIES : Society (£000s)

Society: **Month Ended: / /** **B(8)**

Sectoral Analysis of "Other UK sector" (UK non-bank non-b/soc private sector)

		Shares			*Deposits*		
		Sterling	*Euro*	*Other currencies*	*Sterling*	*Euro*	*Other currencies*
B25.1	MFI's other than banks and building societies						
B25.2	Financial corporations other than MFI's						
B25.3	Non-financial corporations other than public corporations						
B25.4	Households and individual trusts						
B25.5	Non-profit institutions serving households						
B25.6	TOTAL *	0	0	0	0	0	0
* Cross reference :	MFS1 line item	**B1.1 col. 1**	**B1.1 col. 2**	**B1.1 col. 3**	**B2.0(a)+B2.1+B2.3 col. 1**	**B2.0(a)+B2.1+B2.3 col. 2**	**B2.0(a)+B2.1+B2.3 col. 3**

MFS1 SUPPLEMENT 1(b) : BALANCE SHEET : ASSETS : Society (£000s)

Society: Month ended: / /

B(9)

Sectoral Analysis of "Other UK Sector"

		Other Money Market Instruments			*Mortgage backed securities - up to 5 yrs*			*Mortgage backed securities - over 5 yrs*		
		Sterling	*Euro*	*Other currencies*	*Sterling*	*Euro*	*Other currencies*	*Sterling*	*Euro*	*Other currencies*
B26.1	MFI's other than banks and building societies									
B26.2	Financial corporations other than MFI's									
B26.3	Non-financial corporations other than public corporations									
B26.4	Households and individual trusts									
B26.5	Non-profit institutions serving households									
B26.6	TOTAL *	0	0	0	0	0	0	0	0	0
* Cross reference :	MFS1 line item	**B6.5c col. 1**	**B6.5c col. 2**	**B6.5c col. 3**	**B6.10 a3 col. 1**	**B6.10 a3 col. 2**	**B6.10 a3 col. 3**	**B6.10 b3 col. 1**	**B6.10 b3 col. 2**	**B6.10 b3 col. 3**

MFS1 SUPPLEMENT 1(c) : BALANCE SHEET : ASSETS : Society (£000s)

Society: **Month ended: / /** **B(10)**

Sectoral Analysis of "Other UK Sector"

		Other Liquid Assets			Loans and Investments		
		Sterling	*Euro*	*Other currencies*	*Sterling*	*Euro*	*Other currencies*
B27.1	MFI's other than banks and building societies						
B27.2	Financial corporations other than MFI's						
B27.3	Non-financial corporations other than public corporations						
B27.4	Households and individual trusts						
B27.5	Non-profit institutions serving households						
B27.6	TOTAL *	0	0	0	0	0	0
* Cross reference :	MFS1 line item	**B6.12b col. 1**	**B6.12b col. 2**	**B6.12b col. 3**	**B7.8d col. 1**	**B7.8d col. 2**	**B7.8d col. 3**

B(11) BALANCE SHEET : REPO & STOCKLENDING ANALYSIS : Society

(£000s) | Society: | Month ended / / | B(11)

Code	Item		Reference to balance sheet	*Balance outstanding at end of month* TOTAL	*Of which:* Sterling	*Of which:* Other currencies	*Amount with Bank of England facility included in TOTAL column*
B28	Deposit funding resulting from REPO transactions:						
B28.1	Gilt Repo:	with Other UK sector (non-bank non-b/soc private sector)	(in B2.1)	0			
B28.2		with building societies	(in B2.4)	0			
B28.3		with UK banking sector	(in B2.5)	0			
B28.4		with other counterparty	(other items)	0			
B28.5	Non-Gilt Repo:	with Other UK sector (non-bank non-b/soc private sector)	(in B2.1)	0			
B28.6		with building societies	(in B2.4)	0			
B28.7		with UK banking sector	(in B2.5)	0			
B28.8		with other counterparty	(other items)	0			
B28.9		TOTAL REPO FUNDING		0	0	0	0
B29	Liquid asset deposits placed under REVERSE REPO transactions:						
B29.1	Gilt Reverse Repo:	with Other UK sector (non-bank non-b/soc private sector)	(in B6.12b)	0			
B29.2		with building societies	(in B6.12a)	0			
B29.3		with UK banking sector	(in B6.3a)	0			
B29.4		with other counterparty	(other items)	0			
B29.5	Non-Gilt Reverse Repo:	with Other UK sector (non-bank non-b/soc private sector)	(in B6.12b)	0			
B29.6		with building societies	(in B6.12a)	0			
B29.7		with UK banking sector	(in B6.3a)	0			
B29.8		with other counterparty	(other items)	0			
B29.9		TOTAL DEPOSITS PLACED UNDER REVERSE REPO		0	0	0	0
B30	Liquid assets subject to STOCKLENDING transactions:						
B30.1	Gilt Stocklending		(in B6.11a1)				
B30.2	Non-Gilt Stocklending		(other items)				
B30.3		TOTAL STOCKLENDING		0			

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ………………………………………………………………………………

<u>Section A</u>: Data Transmission

The following return has been successfully transmitted:

1. First transmission ☐
2. <u>Re</u>-transmission # ☐
3. Return Type ………… (i.e. MFS1, TABA, QFS1 etc)
4. Period ending ………… (e.g. Aug-2001)

If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

<u>Section B</u>: Declaration Statement **

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

<u>Return completed by:</u>

Name: ……………………………………………………

Position Held: ……………………………………………………

Tel No: ……………………………………………………

Signed: …………………………………………………… Date:……………………

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society (Company)

Monthly Statement MFS2

FMS number

FSA register number

Month ended / /

Name of company

Name of parent society

Statement Completed by:

Name (BLOCK LETTERS):

Position held:

Signature: Date:

Telephone STD Code: No: Extn:

Address

Post Code:

Summary of Contents | **Table**

Summary of Contents	Table
Balance Sheet : Liabilities	B (1)
Balance Sheet : Liabilities (continued)	B(2)
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Notes on completion:

- For details of items please refer to the MFS1 Guidance Notes
- If you have any queries please telephone 020-7676-0690 or 0630
- See Introduction, paragraph 7 (iv) of Guidance Notes for treatment of negative values
- Enter amounts throughout in £ thousands
- Show interest rates and percentages to 2 decimal places
- A separate return MFS2 must be completed for each subsidiary undertaking doing "core" business (as defined in paragraph 5 (ii) of Introduction to MFS1 Guidance Notes)
- The statement must be completed monthly and submitted by the advised dates to:

Financial, Risk Analysis and Monitoring Group
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

as follows:

within 7 business days for undertakings of "largest" societies
within 10 business days for undertakings of "other" societies

MFS2
(V/200598)N2R

B(1) BALANCE SHEET : LIABILITIES (£000s)

Company: Month ended: ..../ .....

B(1)

		Sterling	*Euro*	*Other currencies*	*Total*
	Shares				
B1.1	UK non-bank non b/soc private sector				
B1.2	Non-resident sector				
B1.3	Interest accrued				
B1.4	TOTAL shares				
	Deposits and debt securities				
B2.0	Deposits from individuals				
a	UK non-bank non b/soc private sector				
b	Non-resident sector				
c	Interest accrued				
d	TOTAL deposits from individuals				
	Other deposits				
B2.1	UK non-bank non b/soc private sector (other than B2.3)				
B2.2 a	Building society deposit subsidiaries : Soc's own				
b	: Other socs'				
B2.3	Building society other subsidiaries : Soc's own				
B2.4	Building societies	*			*
B2.5 a	UK banking sector : Bank of England				
b	: Other				
	UK public sector:				
B2.6	Central government				
B2.7	Local authorities				
B2.8	Public corporations				
B2.9	Non- resident sector				
B2.10	TOTAL other deposits				
	Borrowing from banks				
B2.11	UK banking sector				
B2.12	Non- resident sector				
B2.13	TOTAL borrowing from banks				

B2.4 For returns completed for subsidiary undertakings
All loans from parent society should go in B2.4

MFS2

B(2) BALANCE SHEET : LIABILITIES (continued) (£000s)

Company: Month ended: ..../ ..... B(2)

		Sterling	Euro	Other currencies	Total
	Debt securities				
B2.14	Certificates of deposit				
B2.15	Commercial paper				
	Bonds, notes, other instruments:				
B2.16	Up to 5 years original maturity				
B2.17	Over 5 years original maturity				
B2.18	TOTAL debt securities				
B2.19	Interest accrued				
B2.20	TOTAL deposits and debt securities				
	Capital				
B3.1	Reserves				
B3.2	Subscribed capital				
B3.3	Revaluation reserves				
B3.4	Subordinated debt (qualifying)				
B3.5	Other capital	*			*
B3.6	TOTAL capital				
	Other liabilities				
B4.1	Income tax				
B4.2	Corporation tax				
B4.3	Interest accrued on capital				
B4.4	Long term insurance liabilities				
B4.5	Other				
B4.6	TOTAL other liabilities				
B4.7	Minority interests				
B5	TOTAL LIABILITIES				
	Memorandum items:				
B/ML1	Transit and suspense (liabilities)				
B/ML1a	Of which : items in suspense				
B/ML1b	: credit items in transmission				

B3.5 For returns completed for subsidiary undertakings only:

All capital provided by parent building society should go in

MFS2
(V/200598)N2R

B(3) BALANCE SHEET : ASSETS (£000s)

Company: Month ended: ..../ ..... B(3)

Code		Liquid assets	Sterling	Euro	Other currencies	Total	
B6.1		Cash (notes & coins)					
B6.2		Deposits with central banks					
	a	Bank of England (*)					* B6.2a: See note a) on page B(5)
	b	Non-resident sector					
	c	TOTAL Deposits with central banks					
B6.3		Bank deposits					
	a	UK banking sector (*)					* B6.3a: See note a) on page B(5)
	b	Non-resident sector					
	c	TOTAL Bank deposit					
B6.4		Certificates of deposit					
	a	Building Societies					
	b	UK banking sector					
	c	Non-resident sector					
	d	TOTAL Certificates of deposit					
B6.5		Other money market instruments					
	a	Building societies					
	b	UK banking sector					
	c	Other UK sector					
	d	Non-resident sector					
	e	TOTAL Other money market instruments					
B6.6		Bonds, notes and other capital instruments					
		a) up to 5 years original maturity					
	a1	Building societies					
	a2	UK banking sector					
	a3	Non-resident sector					
		b) over 5 years original maturity					
	b1	Building societies					
	b2	UK banking sector					
	b3	Non-resident sector					
	c)	TOTAL Bonds, notes etc					

B(4) BALANCE SHEET : ASSETS (continued) (£000s)

Company: Month ended: ..../ ..... B(4)

		Liquid assets (continued)	*Sterling*	*Euro*	*Other currencies*	*Total*
B6.7		Bills				
	a	UK Treasury				
	b	UK banking sector				
	c	TOTAL Bills				
B6.8		Local Authority				
	a	Temporary debt				
	b	Long term debt - listed securities				
	c	Long term debt - other				
	d	TOTAL Local Authority				
B6.9		Certificates of tax deposit				
B6.10		Mortgage backed securities				
	a)	up to 5 years original maturity				
	a1	Building societies				
	a2	UK banking sector				
	a3	Other UK sector				
	a4	Non-resident sector				
	b)	over 5 years original maturity				
	b1	Building societies				
	b2	UK banking sector				
	b3	Other UK sector				
	b4	Non-resident sector				
	c)	TOTAL Mortgage backed securities				

MFS2

B(5) BALANCE SHEET : ASSETS (continued) (£000s) Company: Month ended: ..../ ..... B(5)

			Sterling	Euro	Other currencies	Total
		Liquid assets (continued)				
B6.11		Sovereign securities				
	a)	Sovereign debt				
	a1	UK government securities				
	a2	Overseas government				
	b)	Sovereign backed or supported by				
	b1	UK government				
	b2	Overseas government				
	c)	TOTAL Sovereign securities				
B6.12		Other liquid assets with:				
	a	Building society sector				
	b	Other UK sector				
	c	Non-resident sector				
	d	TOTAL Other Liquid assets				
B6.13		Interest accrued				
B6.14		TOTAL Liquid assets				
Note a)		**Of which : non-interest bearing with :**				
		Bank of England (part of B6.2a)				
OW1.1		Cash ratio deposits				
OW1.2		Other non-interest bearing				
OW1.3		Other UK Banking Sector (part of B6.3a)				
OW1.4		TOTAL non-interest bearing				

B(6) BALANCE SHEET : ASSETS (continued) (£000s) Company: Month ended: ..../ ..... B(6)

		Sterling	*Euro*	*Other currencies*	*Total*	
	Loans and Investments					
B7.1	Loans fully secured on residential property to:					
a	Individuals					
b	Housing associations					
c	Other					
B7.2	Other loans fully secured on land to:					
a	Individuals					
b	Housing associations					
c	Other					
B7.3	Other loans to customers:					
a	Individuals					
b	Other					
B7.4	Investments					
B7.5	TOTAL Loans and Investments (Gross)					
B7.6	Provisions					
B7.7	TOTAL Loans and Investments (Net)					= B7.5 - B7.6
B7.8	Analysis of B7.5 by sector:					
a	UK public sector					Note: B7.8 should <u>not</u> be completed by companies
b	UK banking sector					
c	Building society sector					
d	Other UK private sector					
e	Non-resident sector					
B8	Fixed assets					
B9	Long term insurance funds					
B10	Other assets					
B11	TOTAL ASSETS					
	Memorandum item:					
B/MA 1	Transit and suspense (assets)					
B/MA1a	Of which : items in suspense					
B/MA1b	: debit items in transmission					

C SHARES (excluding accrued interest) (£000s)

Company: Month ended: ..../ C

		Balance at end of previous month	Receipts	Withdrawals	Interest paid: Gross	Interest paid: Tax deducted	Interest credited: Gross	Interest credited: Tax deducted	Other (debits)/credits and transfers(net)	Balance at end of month	
C1	TOTAL Shares (a)										= B1.4 - B1.3

		Balance at end of previous month	Net receipts	Other (debits)/credits and transfers (net)	Interest credited: Gross	Interest credited: Tax deducted	Balance at end of month	Gross weighted average interest rate (CAR) %
C2	Analysis by account type (original maturity)							
C2.1	Instant access (0-7 days)							
C2.2	Notice : 1 month (8-45 days)							
C2.3	2 months (46-75 days)							
C2.4	3 months (76 or more)							
C2.5	Term : Less than 6 months							
C2.6	6 months < 12 months							
C2.7	1 year < 2 years							
C2.8	2 years < 5 years							
C2.9	5 years and over							
C2.10	Contractual : Tessa							
C2.11	Other							
C2.12	Other							
C2.13	TOTAL shares (b)			= C1[8]			= C1[9]	
C2.14	Of which : ISAs							

		Balance at end of month
C3	Shares analysis (sums to C1[9])	
C3.1	Shares held by individuals	
C3.2	Shares held by others	

		Balance at end of month
C4	Large share and deposit holdings (see section C4 of MFS1 guidance notes)	
C4.1	Single holdings in excess of 0.25% SDL (c)	

Note a) Column 9 = Col 1 + Col 2 - Col 3 + Col 6 - Col 7 + Col 8
b) Column 6 = Col 1 + Col 2 + Col 3 + Col 4 - Col 5
c) SDL here should also exclude accrued interest

D DEPOSITS AND DEBT SECURITIES (excluding accrued interest): Society (£000s)

Company: Month ended: ..../ .....

		Balance at end of previous month	*Receipts*	*Withdrawals / Repayments*	*Interest paid*		*Interest credited*		*Other (debits)/credits and transfers(net)*	*Balance at end of month*	
					Gross	*Tax deducted*	*Gross*	*Tax deducted*			
D1	*Deposits and debt securities*										
D1.1	*Deposits from individuals*										= B2.0a + b
D1.2	*Other deposits and debt securities*										
D1.3	*TOTAL Deposits and debt securities (a)*										

a) Column 9 = Col 1 + Col 2 - Col 3 + Col 6 - Col 7 + Col 8

= B2.20 - B2.19 - B2.0c

		Maximum drawn down at any time during month	*Position at end of month*	
			Drawn down	*Undrawn*
D2	Committed facilities			
D2.1	Banks			
D2.2	Other sources			
D2.3	All sources	*	**	**

Note: * This will not necessarily be the sum of the 2 boxes above

* * This box will be the sum of the 2 boxes above

NB: Large deposit holdings: See Table C(4) for reporting requirements.

E LIQUID ASSETS (NB including accrued interest) (£000s)

Company: Month ended: ..../..... E

		Balance outstanding at end of month					
		As per balance sheet	*Intermediate Workings*			***Amount of prudential liquidity (a)***	
			Ineligible amounts	*Market value(MV)*	*Discounted value*		
E1	Realisable within :						
E1.1	Up to 8 days						
	Gilts with residual maturities						
a.	less than 1 year				=MV		
b.	1 to 5 years				=(MVx0.95)		
c.	Over 5 years				=(MVx0.90)		
d.	TOTAL gilts			= sum of all above	= sum of all above		= Discounted value in previous column
e.	Other						= Column 1 - Column 2
E1.2	9 days up to 3 months						= Column 1 - Column 2
E1.3	Over 3 months						= Column 1 - Column 2
E1.4	TOTAL liquid assets	= B6.14					= Sum of all above

		Amount	***As % total SDL(b)***	***Date***
E2	Amounts of prudential liquidity at any time during the month (end day balance)			
E2.1	Minimum total prudential liquidity			
E2.2	Maximum total building society holdings			

Note a) Show amounts after making relevant deductions, adjustments as in Chapter 5 of Vol. 1 of the IPSB for Building Societies.

b) SDL, as defined in guidance notes, includes accrued interest

F(1) LOANS & INVESTMENTS

(£000's)

Company: **Month ended : ..../......**

		Balance at end of previous month	Advances/payments made in month	Interest earned in month	Repayment/realisation of principal	Repayment of interest	Write offs/ depreciation in month	Other debits/(credits) and transfers (net)	Balance at end of month (a)	
F1	Loans fully secured on residential property (FSRP):									
F1.1	Individuals									= B7.1a
F1.2	Housing associations									= B7.1b
F1.3	Other									= B7.1c
F1.4	TOTAL loans FSRP									
F2	Other loans fully secured on land (FSOL) :									
F2.1	Individuals									= B7.2a
F2.2	Housing associations									= B7.2b
F2.3	Other									= B7.2c
F2.4	TOTAL other loans FSOL									
F3	Other loans to customers : individuals.									
F3.1	Bridging loans									
F3.2	Personal loans									
F3.3	Credit cards									
F3.4	Overdrafts									
F3.5	Other									
F3.6	TOTAL other loans to individuals									= B7.3a
F4	Other loans to customers : other.									
F4.1	Connected undertakings									
F4.2	Other									
F4.3	TOTAL other loans to customers									= B7.3b
F5	Investments									
F5.1	Shares in connected undertakings									
F5.2	Loans to connected undertakings									
F5.3	Other equity shares									
F5.4	TOTAL Investments									= B7.4

		Regular repayment	On redemption	Other repayment	Total	
F6	Loans : Analysis of repayments of principal					
F6.1	Loans FSRP to individuals					= F1.1[4]
F6.2	Other loans FSRP and other loans FSOL					= (F1.2 [4] + F1.3 [4] + F2.4 [4])
F6.3	TOTAL Repayment of principal					

Note

a) Column 8 = Col 1 + Col 2 + Col 3 - Col 4 - Col 5 - Col 6 + Col 7

F(2) LOANS AND INVESTMENTS (continued) (£000s) Company: Month ended : ..../.......... F(2)

		Commitments outstanding at end of previous month	*Commitments made since end of previous month*	*Cancellations in month*	*Advances made in month* (b)	*Commitments outstanding at end of month*
F7	Loan commitments					
F7.1	Loans FSRP to individuals					
F7.2	Loans FSRP to others					
F7.3	Other loans fully secured on land					
F7.4	TOTAL loan commitments (a)					

		Number at end of month (c)
F8	Numbers of mortgages outstanding	
F8.1	Mortgages FSRP to individuals	
F8.2	Mortgages FSRP to others	
F8.3	Other mortgages fully secured on land	

		Transactions in month			*Balance at end month on loan assets subject to non-recourse funding*
F9	Loan book acquisitions (and sales) and loans securitised and/or subject to non-recourse funding	*Books acquired* *(d)*	*Books sold* *(e)*	*Loans securitised* *(f)*	*(g)*
F9.1	Loans fully secured on residential properties				
	a. Individuals				
	b. Housing associations				
	c. Other				
	d. TOTAL				
F9.2	Other loans fully secured on land				
F9.3	Other loans to customers				
	a. Individuals				
	b. Others				
	c. TOTAL				

Notes
a) Column 5 = Col 1 + Col 2 - Col 3 - Col 4
b) Entries here should agree with relevant items in Column 2 of F1 to F2
c) Numbers here relate to corresponding balances shown at B7.1 and B7.2
d) Included within "other debits/(credits)" in main analysis
e) Included within "other debits/(credits)" in main analysis
f) Included within "other debits/(credits)" in main analysis
g) Such assets will be subject to "linked presentation" accounting treatment in the balance sheet. The amount shown here should be "gross assets".

G INTERESTS RATES (Gross rates) (£000s)

Company: **Month ended ..../ ......** **G**

		Balances at end of month (a)				Interest rates at end of month (to 2 decimal places)				Interest rates decided but not implemented at end of month (b)		
		TOTAL £000s	*Cross references*	*Of which at : Fixed rates £000s*	*Variable rate £000s*	*Basic rate %*	*Weighted average nominal rate: on all balances %*	*on balances at fixed rates %*	*on balances at variable rates %*	*Basic rate %*	*Date effective (dd/mm): New borrowers*	*Existing borrowers*
G1	Shares		= B1.4									
G2	Deposits and debt securities		= B2.20									
G3	Capital instruments		= B3.2 + B3.4 + B3.5 + B4.3									
G4	Liquidity		= B6.14									
G5	Loans and advances											
	Loans FSRP to individuals:											
G5.1	total		= B7.1a									
G5.2	advances in month		= F1.1 [2]									
	Other loans FSRP and other loans FSOL:											
G5.3	total		= B7.1b +B7.1c+ B7.2a to c									
G5.4	advances in month		= F1.2[2] +F1.3[2]+ F2.4[2]									
	All loans fully secured on land:											
G5.5	total		= [G5.1 + G5.3]									
G5.6	advances in month		= [G5.2 + G5.4]									
G5.7	Other loans to customers : individuals		= B7.3a									
G5.8	Other loans to customers : other		= B7.3b									
G5.9	OVERALL total balance/average weighted rate on loans above											

Notes a) Balances include accrued interest
b) Give the latest known interest rate decisions as of the date of submission of the return. Where a new interest rate has already been implemented for new borrowers before the reporting month ended, please give the effective date.

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ....

Section A: **Data Transmission**

The following return has been successfully transmitted:

1. First transmission ☐
2. Re-transmission # ☐
3. Return Type .... (i.e. MFS1, TABA, QFS1 etc)
4. Period ending .... (e.g. Aug-2001)

\# If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

Section B: **Declaration Statement ****

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

Return completed by:

Name: ....

Position Held: ....

Tel No: ....

Signed: .... Date:.........................

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society
Quarterly Statement QFS1

FMS number	
FSA register number	
Quarter ended	/ /
Society's financial year end	/ /

Name of society

Statement completed by:

Name (BLOCK CAPITALS)

Position held:

Signature: Date:

Telephone STD Code: No: Extn:

Address

Post Code :

Summary of Contents covering Society / Subsidiary undertakings / Group

Notes on completion:

. Updated assessments of "**Expected Outturn** for CFY/E" and "**Likely Outturn**" for NFY/E should be prepared each quarter.

. For details of items please refer to Guidance Notes
. If you have any queries please telephone 020-7676-0630 or 0690
. See Introduction, paragraph 8(iv) of Guidance Notes for treatment of negative values
. Enter amounts throughout in £ thousands
. All references to Q4 in this statement are to final quarter of the society's financial year
. Dates entered in column headings of tables should be month number and calender year eg 12/98
. Internal cross checks are indictated in brackets (=B5), or in footnotes but see also section X of Guidance Notes
. The statement must be completed quarterly and submitted by close on the 18th business day after the society's financial quarter end, to :

Financial, Risk Analysis and Monitoring Unit
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

A BALANCE SHEET : Society and Group (£000s)

Society: Quarter ended: ..../ ....

A

		Society			Subsidiary undertakings			Group (consolidated) (b)		
	Liabilities	*Actual Outturn LQE = ... /.....*	*Expected Outturn (a) CFYE =.../.....*	*Likely Outturn (a) NFYE =... /.....*	*Actual Outturn LQE = ... /.....*	*Expected Outturn (a) CFYE =.../.....*	*Likely Outturn (a) NFYE =... /.....*	*Actual Outturn LQE = ... /.....*	*Expected Outturn (a) CFYE =.../.....*	*Likely Outturn (a) NFYE =... /.....*
A1	Shares									
A2	Deposits and debt securities									
A3	Capital									
A4	Long term insurance liabilities									
A5	Other Liabilities									
A6	Minority interests									
A7	TOTAL LIABILITIES									
	Assets									
A8	Liquid assets									
A9	Loans and Investments									
A9.1	Loans FSRP to individuals									
A9.2	Loans FSRP to others									
A9.3	Other loans fully secured on land									
A9.4	Other loans to customers									
A9.5	Investments									
A9.6	Provisions									
A10	Fixed Assets									
A11	Long term insurance funds									
A12	Other assets									
A13	TOTAL ASSETS									

Operational values of statutory percentages (to 2 decimal places)

		Actual Outturn	Expected Outturn
A14	Funding : other than shares held by individuals (X-Y as % of X, in Section 7 of the 1986 Act)	%	%
A15	Lending : other than fully secured on residential property (X-Y as % of X, in Section 6 of the 1986 Act)	%	%

Notes (a) When return is for Q4 then CFYE is Q4 + 1 year and NFYE is Q4 + 2 years

(b) This will not necessarily be the sum of Society and Subsidiary undertakings columns

B INCOME AND EXPENDITURE : Society and Group (£000s)

Society: Quarter ended: ..../ .... **B**

		Society			*Subsidiary undertakings*			*Group (consolidated) (b)*		
		Actual Outturn (c) YTD to ... /.....	***Expected Outturn (a) CFY to.../.....***	***Likely Outturn (a) NFY to... /.....***	***Actual Outturn (c) YTD to ... /.....***	***Expected Outturn (a) CFY to.../.....***	***Likely Outturn (a) NFY to... /.....***	***Actual Outturn (c) YTD to ... /.....***	***Expected Outturn (a) CFY to.../.....***	***Likely Outturn (a) NFY to... /.....***
B1	Interest receivable									
B2	Interest payable									
B3	Net interest receivable									
B4	Income from investments									
B5	Other income and charges									
B6	Administrative expenses									
B6.1	Staff costs									
B6.2	Other (inc. appointed agents)									
B7	Depreciation and amortisation									
B8	Provisions									
B9	Fixed asset write offs									
B10	Other (please specify in a note) (e)									
B11	Profit/(loss) before tax on ordinary activities									
B12	Tax on profit on ordinary activities									
B13	Profit/(loss) after tax on ordinary activities									
B14	Minority interests									
B15	Extraordinary profit/(loss) after tax									
B16	NET PROFIT/(LOSS)									
B17	Reserves at start of period									
B18	Adjustments to reserves in period									
B19	Reserves at end of period									

Notes
(a) When return is for Q4 then CFY is Q4 + 1 year, and NFY is Q4 + 2 years
(c) YTD is culmulative financial year to date (ie end of quarter)
(e) Show in brackets only if this is an "expense" item
(b) This will not necessarily be the sum of Society and Subsidiary undertakings columns
(d) B19 = B16 + B17 + B18

C INCOME AND EXPENDITURE : Further analysis: Society and Group

(£000s)

Society: Quarter ended: ....../ ...

		Society			Subsidiary undertakings			Group (consolidated) (b)		
		Actual Outturn (c) YTD to .. /.....	*Expected Outturn (a) CFY to ../.....*	*Likely Outturn (a) NFY to .. /.....*	*Actual Outturn (c) YTD to .. /.....*	*Expected Outturn (a) CFY to ../.....*	*Likely Outturn (a) NFY to .. /.....*	*Actual Outturn (c) YTD to .. /.....*	*Expected Outturn (a) CFY to ../.....*	*Likely Outturn (a) NFY to .. /.....*
C1	Other income and charges (analysis of B5)									
C1.1	Fees & Commission receivable on:									
a	Life insurance & pensions									
b	General insurance									
c	Other									
d	TOTAL Fees & commission receivable									
C1.2	Fees & Commission payable									
C1.3	Net profit/(loss) on financial operations									
C1.4	Other operating income									
C1.5	Other operating charges									
C1.6	TOTAL Other income & charges									

		Book Premia *YTD to .. /.....*	Loan incentives *YTD to .. /.....*	Loan discounts *YTD to .. /.....*		Book Premia *YTD to .. /.....*	Loan incentives *YTD to .. /.....*	Loan discounts *YTD to .. /.....*
C2	Impact of loan book acquisition and loan incentives/discounts:							
C2.1	Where expenditure is deferred							
	a) Balance at start of year *							
	b) Amounts added in period							
	c) Amounts taken to Income & Expenditure in period	{			← taken to Net interest receivable →			
		{			← taken to other I & E items →			
	d) Balance at end of period *							
	* as shown in the balance sheet							
C2.2	Where expenditure is NOT deferred							
	a) Amounts taken to Income & Expenditure in period	{			← taken to Net interest receivable →			
		{			← taken to other I & E items →			

Notes
(a) When return is for Q4 then CFYE is Q4 + 1 year and NFYE is Q4 + 2 years
(c) YTD is cumulative financial year to date (ie end latest quarter)

(b) This will not necessarily be the sum of Society and Subsidiary undertakings column

CAPITAL AVAILABLE: Own Funds: Society and Group (£000s)

Society: Quarter ended: ....../ ...

		Society			*Group (consolidated)*		
		Actual Outturn at/to LQE = ... /.....	***Expected Outturn (a) CFYE =.../.....***	***Likely Outturn (a) NFYE =... /.....***	***Actual Outturn at/to LQE = ... /.....***	***Expected Outturn (a) CFYE =.../.....***	***Likely Outturn (a) NFYE =... /.....***
D1	**TIER I CAPITAL**						
D1.1	Reserves at **start** of year						
D1.2	Interim profits (since start of year) (b)						
D1.3	or *less* : overall losses in period						
D1.4	*Less :* intangible fixed assets						
	Subscribed capital - deferred shares						
D1.5	PIBS						
D1.6	Others						
D1.7	Minority interests (allowable)						
D1.8	TOTAL TIER I						
D2	**TIER II CAPITAL**						
D2.1	Revaluation reserves (net) (c)						
D2.2	General provisions for bad debt						
D2.3	Undated subordinated debt						
D2.4	Term subordinated debt						
D2.5	Other tier II						
D2.6	*less* : Amounts in excess of Tier II limits						
D2.7	TOTAL TIER II						
D3	DEDUCTIONS from Tier I + Tier II						
D3.1	Deductions not shown elsewhere (d)						
D3.2	Capital deficits in subsidiary undertakings						
D4	CAPITAL AVAILABLE (Own Funds)						

Notes
(a) When return is for Q4 then CFYE is Q4 + 1 year, and NFYE is Q4 + 2 years
(b) At Q4 interim profits for LQE means full year profits. At Q1,2 & 3 the figure for LQE is the cumulative year to date amount and may only be included if externally audited. For CFYE/NFYE interim profits means full year profits and should be shown here.
(c) Net of any foreseeable tax charge due on realisations
(d) Capital instruments in other CFI's, deductions in respect of life companies, mortgage indemnity insurance captives, securitisations etc. - [Chapter 1 (Solvency) of Volume 1 of the IPSB for building societies refers].

F CAPITAL : Solvency Ratio : Society and Group (£000s)

Society: Quarter ended : ..../....

		Society				Group (consolidated)			
		Asset Amount	Weighted amounts			Asset Amount	Weighted amounts		
On balance sheet items		*Actual Outturn LQE = ... /.....*	*Actual Outturn LQE = ... /.....*	*Expected Outturn (a) CFYE =.../.....*	*Likely Outturn (a) NFYE =... /.....*	*Actual Outturn LQE = ... /.....*	*Actual Outturn LQE = ... /.....*	*Expected Outturn (a) CFYE =.../.....*	*Likely Outturn (a) NFYE =... /.....*
	Weight								
F1.1 Liquid assets	at 0%								
F1.2	at 10%								
F1.3	at 20%								
F1.4	at 50%								
F1.5	at 100%								
F2.1 Loans FSRP:	at 50%								
~~F2.2~~	~~at 60%~~	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
~~F2.3 Loans in arrears~~	~~at 75%~~	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
F2.4 Other FSRP	at 100%								
F2.5 Other loans FSOL:	at 50%								
F2.6	at 100%								
F2.7 Investments and Other loans to customers	at 100%								
F3 Fixed assets	at 100%								
F4.1 Other assets	at 0%								
F4.2	at 20 %								
F4.3	at 100%								
F5 TOTAL on balance sheet									
F6 Off balance sheet items									
F6.1 Interest rate contracts									
F6.2 Foreign exchange contracts									
F6.3 Other : Full risk									
F6.4 Medium risk									
F6.5 Medium/Low Risk									
F6.6 Low risk & other items									
F6.7 TOTAL off balance sheet									
F7 Solvency ratio = (D4*100)/(F5+F6.7)			%	%	%		%	%	%

Notes a) When return is for Q4, then CFYE is Q4 + 1 year, and NFYE is Q4 + 2 years

N/A

G(1) LOANS FSRP TO INDIVIDUALS: Society and Subsidiary undertakings £000's

Society: Quarter ended : ..../ .....

			Society			*Subsidiary undertakings*		
			Gross advances in quarter		*Balance outstanding*	*Gross advances in quarter*		*Balance outstanding*
			Number	*Amount*	*at LQE*	*Number*	*Amount*	*at LQE*
G1	By type							
G1.1	Seasoned		N/A	N/A	N/A	N/A	N/A	N/A
G1.2	Traditional		N/A	N/A	N/A	N/A	N/A	N/A
G1.3	Second mortgage		N/A	N/A	N/A	N/A	N/A	N/A
G1.4	Other		N/A	N/A	N/A	N/A	N/A	N/A
G1.5	TOTAL		N/A	N/A	N/A	N/A	N/A	N/A
G2	By purpose							
G2.1	House Purchase:	Owner occupation						
G2.2		Buy to let						
G2.3	Further Advance							
G2.4	Remortgage:	Own borrowers						
G2.5		From other lenders						
G2.6	Other							
G2.7	TOTAL							

LOANS FSRP TO INDIVIDUALS: Society and Subsidiary undertakings (£000s)

Society: Quarter ended: ....../ ...

		Society				*Subsidiary undertakings*			
		Gross advances in quarter : (amount) by LTV				***Gross advances in quarter : (amount) by LTV***			
		< = 75 %	***Over 75 < = 90 %***	***Over 90 < = 95 %***	***Over 95 < = 100 %***	***< = 75 %***	***Over 75 < = 90 %***	***Over 90 < = 95 %***	***Over 95 < = 100 %***
G3	By income multiple & LTV								
	Single income basis								
G3.1	Less than 2.50								
G3.2	2.50 < 3.00								
G3.3	3.00 < 3.50								
G3.4	3.50 or over (a)								
G3.5	SUB TOTAL A								
	Joint income basis								
G3.6	Less than 2.00								
G3.7	2.00 < 2.50								
G3.8	2.50 < 2.75								
G3.9	2.75 or over								
G3.10	SUB TOTAL B								
G3.11	TOTAL (A+B) (b)								
	Of which:								
G4	Insured exposure above 75% LTV								
G4.1	Amount of advances representing the excess above 75% valuation								
G4.2	Amount of this excess covered by Insurance								

Notes
(a) Also include here any advances where income was not ascertained (eg non status loans)
(b) Sum of G3.11 cols 1 to 4 = G2.7 col 2 ; similarly the sum of G3.11 cols 5 to 8 = G2.7 col 5

LOANS: OTHER FSRP AND OTHER FSOL : Society and Subsidiary undertakings (£000s)

Society: Quarter ended: ....../ ....

		Society			*Subsidiary undertakings*		
		Gross advances in quarter		*Balance outstanding*	*Gross advances in quarter*		*Balance outstanding*
		Number	*Amount*	*at LQE*	*Number*	*Amount*	*at LQE*
H1	Type of Property (a)						
H1.1	Housing association						
H1.2	Residential - Development						
H1.3	Residential - Investment						
H1.4	Residential - other						
H1.5	Commercial - Development						
H1.6	Commercial - Investment						
H1.7	Commercial - other						
H1.8	TOTAL						
	Note (a) Commercial includes industrial			(=A9.2 col 1 + A9.3 col 1)			(=A9.2 col 4 + A9.3 col 4)

H2	By size & LTV	*Gross advances in quarter : (Amount) by LTV*				*Gross advances in quarter : (Amount) by LTV*			
	Size in £ :	*< = 75 %*	*Over 75 < = 90 %*	*Over 90 < = 95 %*	*Over 95 < = 100 %*	*< = 75 %*	*Over 75 < = 90 %*	*Over 90 < = 95 %*	*Over 95 < = 100 %*
H2.1	Less than 50k								
H2.2	50k < 100k								
H2.3	100k < 250k								
H2.4	250k < 500k								
H2.5	500k < 1 million								
H2.6	1m < 5 million								
H2.7	5m < 10 million								
H2.8	10 million or more								
H2.9	TOTAL (b)								

Note b) Sum of H2.9 Cols 1 to 4 = H1.8 col 2 ; similarly the sum of H2.9 cols 5 to 8 = H1.8 col 5

I ALL LOANS SECURED ON LAND : Further analysis : Society and Subsidiary undertakings (£000's)

Society: Quarter ended : ..../ .....

		Society				*Subsidiary undertakings*			
		Lending in quarter			*Balance outstanding*	*Lending in quarter*			*Balance outstanding*
		Gross advances	*Other "advances"*	*Total "advances"*	*at LQE*	*Gross advances*	*Other "advances"*	*Total "advances"*	*at LQE*
I1	Loans FSRP to individuals only								
	Fixed and capped lending								
I1.1	Fixed rate loans								
I1.2	Capped rate loans								
I1.3	TOTAL Fixed & Capped loans of which :								
I1.4	Weighted average residual maturity to end of fixed/capped period in years (to 2 decimal places)								
I1.5	Discounted variable rate loans								
	of which : weighted average (to 2 decimal places)								
I1.6	Residual maturity (in years)								
I1.7	Cumulative discount (in %)								
I1.8	Nominal discount per annum (in %)								
I2	Loans: other FSRP + other FSOL								
	Fixed and capped lending								
I2.1	Fixed rate loans								
I2.2	Capped rate loans								
I2.3	TOTAL Fixed & Capped loans of which :								
I2.4	Weighted average residual maturity to end of fixed/capped period in years (to 2 decimal places)								
I2.5	Discounted variable rate loans of which : weighted average (to 2 decimal places)								
I2.6	Residual maturity (in years)								
I2.7	Cumulative discount (in %)								
I2.8	Nominal discount per annum (in %)								

J LENDING: Capitalisations and Sales: Society and Subsidiary undertakings (£000s)

Society: Quarter ended: ..../ ..... J

	(Period = Latest quarter)	*Society*				*Subsidiary undertakings*			
		Loans FSRP to individuals	***Loans: other FSRP + other FSOL***	***Other loans to customers***		***Loans FSRP to individuals***	***Loans: other FSRP + other FSOL***	***Other loans to customers***	
				Individuals	***Businesses etc***			***Individuals***	***Businesses etc***
J1	All loans at end period:								
J1.1	Number								
J1.2	Balance outstanding								
		(=A9.1 col 1)	(=A9.2 col 1 + A9.3 col 1)	{ These two columns add to A9.4 col 1}		(=A9.1 col 4)	(=A9.2 col 4 + A9.3 col 4)	{ These two columns add to A9.4 col 4}	
J2	Capitalisation of arrears cases in period (a)								
J2.1	Number of cases								
J2.2	Amount of arrears capitalised								
J2.3	Balance outstanding on these cases								
J3	Properties sold in period (b)								
J3.1	Number of cases sold in period								
J3.2	Balance outstanding on these cases								

Notes: a) Those excluded from table K during period, but included in previous period
b) Include ALL properties sold in period. For Other loans, J3 refers to those cases where the loan has been written off in the quarter

K(1) LENDING: Arrears analysis - Society

(£000s)

Society: Quarter ended : ..../ .....

Arrears categorisation by type of loan		Cases entering higher (ie more serious) arrears band in quarter (d)			Position on all arrears cases at end of quarter			Performance of current arrears cases during the quarter (e)
		Number	*Amount of arrears*	*Balance outstanding*	*Number*	*Amount of arrears*	*Balance outstanding*	**%**
K1	Loans FSRP to individuals (a)							
K1.1	2.5 < 5 %							
K1.2	5.0 < 7.5 %							
K1.3	7.5 < 10 %							
K1.4	10% or more							
K1.5	In possession (b)							
K1.6	TOTAL							
K2	Loans: other FSRP + other FSOL (a)							
K2.1	2.5 < 5 %							
K2.2	5.0 < 7.5 %							
K2.3	7.5 < 10 %							
K2.4	10% or more							
K2.5	In possession (b)							
K2.6	TOTAL							
K3	Other loans to customers (c)							
K3.1	Loans to individuals							
K3.2	Loans to others							

Notes
a) Arrears cases are classified according to percentage bandings (eg 2.5 or less than 5%) determined by the amount of arrears on a loan as a percentage of the balance outstanding on the loan.
b) See Guidance Notes for types of loans included.
c) On other loans to customers, arrears cases are those as defined in the Guidance Notes.
d) Refers to those cases entering the higher numeric band during the quarter and still there at the quarter end.
e) Actual payments received as a percentage of expected payments in last 3 months.

K(2) LENDING: Arrears analysis - Subsidiary undertakings (£000s)

Society: Quarter ended : ..../ ..... **K(2)**

		Cases entering higher (ie more serious) arrears band in quarter (d)			*Position on all arrears cases at end of quarter*			*Performance of current arrears cases during the quarter (e)*
	Arrears categorisation by type of loan	*Number*	*Amount of arrears*	*Balance outstanding*	*Number*	*Amount of arrears*	*Balance outstanding*	%
K4	Loans FSRP to individuals (a)							
K4.1	2.5 < 5 %							
K4.2	5.0 < 7.5 %							
K4.3	7.5 < 10 %							
K4.4	10% or more							
K4.5	In possession (b)							
K4.6	TOTAL							
K5	Loans: other FSRP + other FSOL (a)							
K5.1	2.5 < 5 %							
K5.2	5.0 < 7.5 %							
K5.3	7.5 < 10 %							
K5.4	10% or more							
K5.5	In possession (b)							
K5.6	TOTAL							
K6	Other loans to customers (c)							
K6.1	Loans to individuals							
K6.2	Loans to others							

Notes
a) Arrears cases are classified according to percentage bandings (eg 2.5 or less than 5%) determined by the amount of arrears on a loan as a percentage of the balance outstanding on the loan.
b) See Guidance Notes for types of loans included.
c) On other loans to customers, arrears cases are those as defined in the Guidance Notes.
d) Refers to those cases entering the higher numeric band during the quarter and still there at the quarter end.
e) Actual payments received as a percentage of expected payments in last 3 months.

L EXPOSURE ANALYSIS: Large exposures - Group (£000s)

Society: Quarter ended: ....../ ... **L(1)**

List below
- first, the 10 largest loan asset exposures (a); and if applicable any others 10% or more of capital (b);
- then, all liquid asset, all connected undertakings and other investments , and all off balance sheet exposures amounting to 10% or more of capital (b)
- and for each of the 4 sets of exposures please rank by descending order of total exposure within each set

Item	*Lender Code*	*Name of counterparty or connected group*	*Exposure type*		*Actual Exposure*	*TOTAL Exposure*	*Security Value*	*Year of Valuation*	*Specific Provisions*	*Amount of Arrears*
			Class	*Code*						
L1:										
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										

Notes
a) Loans and advances to customers
b) Refers to exposures where "Actual Exposure" column is 10% or more of Capital on Group (consolidated) basis.

L EXPOSURE ANALYSIS: Large exposures - Group (£000s)

Society: Quarter ended: ....../ ... L(2)

(If necessary continue on a copy/copies of this table)

Item	Lender Code	Name of counterparty or connected group	Exposure type: Class	Exposure type: Code	Actual Exposure	TOTAL Exposure	Security Value	Year of Valuation	Specific Provisions	Amount of Arrears
L1:										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										

Item			Actual Exposure	TOTAL Exposure	Security Value	Specific Provisions	Amount of Arrears
L2	SUB TOTAL of all exposures listed (here or on continuation sheets)						
L2.1	Loan assets (a):	TOTAL of 10 largest (lines 1 to 10)					
L2.2		TOTAL of all others listed					
L2.3		TOTAL of all listed (L2.1 + L2.2)					
L2.4	Of which:	TOTAL of exposures marked - Q					
L2.5	Liquid assets:	TOTAL of exposures marked - Q					
L2.6		TOTAL of exposures marked - E					
L2.7	Connected undertakings and other investments:	TOTAL of exposures marked - Q					
L2.8		TOTAL of exposures marked - E					
L2.9	Off balance sheet:	TOTAL of exposures marked - Q					
L2.10		TOTAL of exposures marked - E					

Note a) Loans and advances to customers

M **MATURITY ANALYSIS (Residual maturity): Society and Group (£000s)** Society: Quarter ended : ..../ ... M

		Society : Amount repayable (without penalty) at LQE					*Group : Amount repayable (without penalty) at LQE*				
		Up to 8 days	*9 days < 1 mth*	*1 mth < 3 mth*	*3 mth < 1 yr*	*1 yr or more*	*Up to 8 days*	*9 days < 1 mth*	*1 mth < 3 mth*	*3 mth < 1 yr*	*1 yr or more*
M1	Shares (a)										
M1.1	Instant access a/cs										
M1.2	Notice a/cs										
M1.3	Term a/cs										
M1.4	Contractual a/cs										
M1.5	Other a/cs										
M1.6	TOTAL shares										
M2	Deposits and debt securities (a)										
M2.1	Deposits										
M2.2	Borrowing from banks										
M2.3	CDs										
M2.4	Commercial paper										
M2.5	Other debt securities										
M2.6	TOTAL deposits & debt securities										
M3	Liquid assets (a)										
M3.1	Cash										
M3.2	Bank deposits										
M3.3	CDs										
M3.4	Other money market instruments										
M3.5	Marketable securities										
M3.6	Other										
M3.7	TOTAL liquid assets										
M4	Commited facilities available										

Note a) Excluding accrued interest

ORGANISATION : Society and Group

Society: Quarter ended: ....../ ...

		Society		Subsidiary undertakings		Group	
		Actual position LQE =.../.....	*Expected position (a) CFYE =.../.....*	*Actual position LQE =.../.....*	*Expected position (a) CFYE =.../.....*	*Actual position LQE =.../.....*	*Expected position (a) CFYE =.../.....*
	Number of staff at end of period						
N1	TOTAL Staff (full time equivalent) (b)						
	Of which :						
N1.1	Staff at branch offices						
N1.2	Staff at estate agency offices						
	Number of offices						
N2	Branch offices staffed by employees (c)						
N3	Estate agency offices						
N3.1	As part of a society branch office						
N3.2	Independent offices						
N3.3	TOTAL Estate agency offices						
N4	Appointed agents						
N5	**Number of members and creditors**		**Number of borrowers and creditors**				
N5.1	Shareholding members						
N5.2	Borrowing members		Borrowers				
N5.3	Creditors for deposits						

Notes
a) When return is for Q4 then CFYE is Q4 + 1 year
b) Staff should be stated as actual number at end period (counting part time staff as half a unit)
c) Include any "branch" at Head Office site. For some societies this may be the only branch. A zero entry is therefore not applicable.

P INVESTMENTS (f): By type of activity (£000s)

Society: Quarter ended : ..../..... P

	Activity type	All investments		Subsidiary undertakings (SUs)						All investments	
		Amount of society's			Profit/(loss) before tax attributable to society			Staff employed (FTE)		Income attributable to:	
		Investments in at LQE	*Other loans to at LQE*	*C / NC (a)*	*Actual Outturn YTD =.../9..*	*Expected Outturn (b) CFY=.../9..*	*Likely Outturn (b) NFY =.../9..*	*Actual at LQE*	*Expected at (b) CFYE=.../9..*	*Society Outturn YTD*	*Group Outturn YTD*
P1-9	**Subsidiary undertakings & participating interests**										
P1.1	Deposit taking : UK operation										
P1.2	Non UK operation										
P2.1	Lending: UK operation										
P2.2	Non UK operation										
P2.3	Unsecured lending										
P2.4	Loan admin for 3rd parties										
P3.1	Housing: Development/Rental										
P3.2	Association/Trust										
P4.1	Insurance: Life										
P4.2	General										
P5	Financial Services										
P6	Estate Agency										
P7	Money transmission										
P8	Society support operations										
P9	Other : __________________										
	__________________										
	__________________										
P10	**Other investments (c)**										
P11	TOTALS										
		(= A9.5 col 1)	(= part of A9.4 col 1)	Number						(=B4 Col 1)	(=B4 Col 7)
P12.1	TOTALS: Undertakings included in table B (d)										
P12.2	Amounts attributable to Minority interests (e)										
P13	TOTALS: Other bodies (sum of all entries marked NC in Col 3)										

Notes
a) C/NC : enter C or NC to indicate whether profit figures included in table B, where C = included (consolidated), and NC = excluded (not consolidated)
b) When return is for Q4, then CFY/CFYE is Q4 + 1 year, and NFY is Q4 + 2 years.
c) Investments which are neither subsidiary undertakings nor participating interests eg LINK, BACS etc (trade investments) and equity shares.
(d) That is undertakings for which a 'C' entry is made in column 3
(e) Total of P12.1and P12.2 should agree with corresponding columns of B11 in table B.
(f) Also covers "other loans" in column 2.

QUARTERLY STATEMENT

QFS1: SUMMARY OF CROSS CHECKS

A) Cross checks within QFS1

C1.6	all cols	=	B5	corres cols	Total other income & charges	[Soc/Subs/Group]
D1.1 + D1.2 + D1.5 + D1.6 + D2.1 + D2.3 + D2.4 + D2.5	all cols	<=	A3	cols 1-3, 7-9	Capital	[Soc/Group]
F1.1 + F1.2 + F1.3 + F1.4 + F1.5	cols 1 and 5	=	A8	cols 1 and 7	Liquid Assets	[Soc/Group]
F2.5 + F2.6	cols 1 and 5	>=	A9.3	cols 1 and 7	Other loans FSOL	[Soc/Group]
F2.7	cols 1 and 5	>=	A9.4 + A9.5	cols 1 and 7	**Investments and Other loans to customers**	[Soc/Group]
F3	cols 1 and 5	=	A10	cols 1 and 7	Fixed Assets	[Soc/Group]
~~F4.1 + F4.2 + F4.3~~	~~cols 1 and 5~~	~~=~~	~~A11~~	~~cols 1 and 7~~	~~Other Assets~~	~~[Soc/Group]~~
F4.1 + F4.2 + F4.3	**cols 1 and 5**	**=**	**A11 + A12**	**cols 1 and 7**	**Other Assets**	**[Soc/Group]**
G1.5	col 3	=	A9.1	col 1	Loans FSRP	[Society]
G1.5	col 6	=	A9.1	col 4	Loans FSRP	[Subs]
G2.7	cols 1, 2, 4 and 5	=	G1.5	corres cols	Total FSRP (no/amount)	[Society/Subs]
G3.11	agg cols 1 to 4	=	G1.5	col 2	FSRP lending (amount)	[Society]
G3.11	agg cols 5 to 8	=	G1.5	col 5	FSRP lending (amount)	[Subs]
H1.8	col 3	=	A9.2 + A9.3	col 1	Other FSRP and other FSOL assets	[Society]
H1.8	col 6	=	A9.2 + A9.3	col 4	Other FSRP and other FSOL assets	[Subs]
H2.9	agg cols 1 to 4	=	H1.8	col 2	Other FSRP and other FSOL lending	[Society]
H2.9	agg cols 5 to 8	=	H1.8	col 5	Other FSRP and other FSOL lending	[Subs]
J1.2	col 1	=	A9.1	col 1	FSRP to individuals	[Society]
J1.2	col 2	=	A9.2 and A9.3	col 1	Other FSRP and other FSOL	[Society]
J1.2	col 3 and 4	=	A9.4	col 1	Other loans to customers	[Society]
J1.2	col 5	=	A9.1	col 4	FSRP to individuals	[Subs]
J1.2	col 6	=	A9.2 and A9.3	col 4	Other FSRP and other FSOL	[Subs]
J1.2	col 7 and 8	=	A9.4	col 4	Other loans to customers	[Subs]
~~L~~	~~Total Capital~~	~~=~~	~~D4~~	~~col 4~~	~~Capital~~	~~[Group]~~
M	*[see note (a)]*					
P11	col 1	=	A9.5	col 1	Investments	[Society]
P12.1 + P12.2	cols 4, 5 and 6	=	B11	corres cols	Profit/(loss) before tax	[Subs]
P12.1	cols 7 and 8	=	N1	cols 3 and 4	Subsidiary undertakings : staff numbers	[Subs]
P11	col 9	=	B4	col 1	Income from subsidiary undertakings	[Society]
P11	col 10	=	B4	col 7	Income from subsidiary undertakings	[Group]

A) Cross checks with MFS1

J1.1	col 1	=	F8.1	col 1	Number of FSRP loans
J1.1	col 3	=	F8.3	col 1	Number of FSOL loans

a) The aggregate of amounts repayable at line M1.6, M2.6 and M3.7 are not directly comparable with the corresponding items in the balance sheet, by virtue of accrued interest, which has been excluded from the figures in table M.

N.B. The cross checks on Tables D to A and F to A will not apply to those society's for whom "solo consolidation" and "exclusion from consolidation" apply.

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ……………………………………………………………………………

Section A: **Data Transmission**

The following return has been successfully transmitted:

1. First transmission ☐
2. Re-transmission # ☐
3. Return Type ………… (i.e. MFS1, TABA, QFS1 etc)
4. Period ending ………… (e.g. Aug-2001)

\# If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

Section B: **Declaration Statement ****

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

Return completed by:

Name: ……………………………………………………

Position Held: ……………………………………………………

Tel No: ……………………………………………………

Signed: …………………………………………………… Date:……………………

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society Quarterly Statement QFS2

FMS number	
FSA register number	
Calendar quarter ending	/
Society's financial year end	/

Name of society

Statement Completed by:

Name (BLOCK LETTERS):

Position held:

Signature: Date:

Telephone STD Code: No: Extn:

Address

Post Code:

Notes on completion:

- The statement covers "society only" figures
- This statement should only be completed by those societies required to complete the MFS1 return to the faster timetable.
- For details of items please refer to Guidance Notes
- If you have any queries please telephone 020-7676-0630 or 0690
- Enter amounts to the nearest £million (omitting £000,000s)
- Enter negative values in brackets ( )
- Amounts cross referenced to line items in the MFS1 return should, after rounding, agree with those entered on the society's corresponding monthly return coinciding with the calendar quarter end.
- This statement must be completed as at the end of March, June, September and December, and submitted by close on the 11th business day after the calendar quarter end to :

Financial, Risk Analysis and Monitoring Unit
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

Statement summary :

Page	Summary of Contents	Table
1	Sectorisation of Selected Liabilities	A
2	Sectorisation of Loans and Investments	B
3	Residual Maturity Analysis of Gilts	C
4	Derivative Contracts	D

A BALANCE SHEET: Sectorisation of Selected Liabilities: Society (£ million)

Society Quarter ended : ..../........ 1

		Shares				Deposits			
		MFSI line item	*Sterling*	*Euro*	*Other currencies*	*MFS1 line item*	*Sterling*	*Euro*	*Other currencies*
A1	OTHER UK SECTOR (UK non-bank non-b/soc private sector)								
A1.0	Money market mutual funds								
A1.1	Financial corporations								
	a) Insurance companies								
	b) Pension funds								
	c) Financial auxiliaries								
	d) Financial U.L. partnerships*								
	e) Other institutions								
A1.2	Non-financial corporations								
	a) Non-financial U.L. partnerships*								
	b) Other non-financial corporations								
A1.3	Individuals and individual trusts								
A1.4	Unincorporated businesses								
A1.5	Non-profit institutions serving households								
A1.6	TOTAL OTHER UK SECTOR	B1.1				B2.0a + B2.1 + B2.3			

* U.L. means unlimited liability.

B BALANCE SHEET: Sectorisation of Loans and Investments (Gross) : Society (£ million)

Society: Quarter ended :....../ ....

	Loans fully secured on Residential Property		*Other loans fully secured on land*		*Investments and Other Loans to Customers*				*TOTAL Loans and Investments (Gross)*	
					Investments (Equities)		*All other Loans & Investments*			
	Sterling	*Euro and Other currencies*	*Sterling*	*Euro and Other currencies*	*Sterling*	*Euro and Other currencies*	*Sterling*	*Euro and Other currencies*	*Sterling*	*Euro and Other currencies*
B1 OTHER UK SECTOR (UK non-bank B/soc private sector)										
B1.0 Money market mutual funds										
B1.1 Financial corporations										
a) Insurance companies										
b) Pension funds										
c) Financial auxiliaries										
d) Financial U.L. partnerships*										
e) Other institutions										
B1.2 Non-financial corporations										
a) Non-financial U.L. partnerships*										
b) Other non-financial corporations										
B1.3 Individuals and individual trusts										
B1.4 Unincorporated businesses										
B1.5 Non-profit institutions serving households										
B1.6 TOTAL OTHER UK SECTOR										
B2 NON-RESIDENT SECTOR										
B2.1 Direct investment										
B2.2 Other										
B2.3 TOTAL NON-RESIDENT SECTOR										

MFS1 Cross reference : The amounts shown in the final 2 columns here should agree with corresponding items in MFS1 as follows

B1.6 should agree with MFS1 item B7.8d
B2.3 should agree with MFS1 item B7.8e

* U.L. means unlimited liability.

C GOVERNMENT STERLING SECURITIES: Residual Maturity Analysis : Society (£ million)

Society Quarter ended : ....../ ......

		Balance at end previous quarter (book value) (a)	Purchases in quarter (b)	Realisations in quarter (c)	Other debit/(credit) (net) in quarter (d)	Balances at end quarter: Book value basis (a)+(b)-(c)+(d)	Of which: Gilt Strips	Market value basis
C1	Index linked							
C1.1	Up to 1 year				*			
C1.2	Over 1 and up to 3 years				*			
C1.3	Over 3 years and up to 7 years				*			
C1.4	Over 7 years or undated				*			
C2	Other							
C2.1	Up to 1 year				*			
C2.2	Over 1 and up to 3 years				*			
C2.3	Over 3 years and up to 7 years				*			
C2.4	Over 7 years or undated				*			
C3	TOTAL UK Government securities							
	MFS1 line item cross reference	B6.11 al (sterling)				B6.11 al (sterling)		

Notes

* Includes the effect of holdings passing from one maturity band to the next during the quarter

D DERIVATIVE CONTRACTS : Society (£ million) Society: Quarter ended :......./ 4

	Sterling	Euro	Other currencies	TOTAL
D.1 TOTAL NOTIONAL DERIVATIVE CONTRACTS				
D1.1 Interest rate products				
D1.2 Foreign exchange products				
D1.3 Other products				
D1.4 Total notional derivatives contracts				
D.2 TOTAL MARKET VALUE OF DERIVATIVE CONTRACTS				
D2.1 Gross assets				
D2.2 Gross liabilities				
D2.3 Total net derivatives position				
D.3 NET TRANSACTIONS IN DERIVATIVE CONTRACTS				
Transactions with ALL counterparties				
D3.1 a) Interest rate swaps				
D3.2 b) FRAs				
D3.3 c) Other				
D3.4 Total transactions with all counterparties				
Of which :				
D4 transactions with NON-RESIDENT counterparties				
D4.1 a) Interest rate swaps				
D4.2 b) FRAs				
D4.3 c) Other				
D4.4 d) Total transactions with non-resident counterparties				

DECLARATION AND RDE NOTIFICATION SHEET

Please complete this sheet for each return and fax to the FSA: 020 7676 3905

Name of Society / Subsidiary: ………………………………………………………………………

Section A: Data Transmission

The following return has been successfully transmitted:

1. First transmission ☐
2. Re-transmission # ☐
3. Return Type ………… (i.e. MFS1, TABA, QFS1 etc)
4. Period ending ………… (e.g. Aug-2001)

\# If a re-transmission, please give brief details below of the changes made, including the specific tables amended:

Section B: Declaration Statement **

I confirm that the information in this form is accurate, has been prepared in accordance with the underlying Guidance Notes, and is complete to the best of my knowledge and belief.

Return completed by:

Name: ……………………………………………………

Position Held: ……………………………………………………

Tel No: ……………………………………………………

Signed: …………………………………………………… Date:………………………

Note: ** Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). [SUP 15.6.1R and SUP 15.6.3R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided.] [SUP 16.3.11R requires an authorised person to submit reports containing all the information required]. [APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4.] [Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA.] It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. [If there is any doubt about the relevance of information, it should be included.]

COMMERCIAL IN CONFIDENCE

Building Society	FMS number:	
	FSA register number:	
Annual Statement AFS1	Financial year ended:	...../...../......

Name of Society

Statement completed by:

Name (BLOCK CAPITALS)	
Position held	
Signature	**Date:**
Telephone:	**STD Code:** **No:** **Extn:**
Address:	
	Post Code:

Summary of Contents:

	Table
Balance Sheet	A
Income & Expenditure	B
Miscellaneous	C
Diversification	F
Selected business volumes	G

Notes on completion:

- For details of items please refer to Guidance Notes
- If you have any queries please telephone 020-7676-0630 or 0690
- See Introduction, paragraph 8 (iii) of Guidance Notes for treatment of negative values
- Enter amounts throughout in £ thousands
- The statement must be completed annually and submitted within 2 months of financial year end to:

Financial, Risk Analysis and Monitoring Unit
Financial Services Authority
14th Floor (ROSD)
25 The North Colonnade
Canary Wharf
LONDON E14 5HS

(V/200598)N2R
AFSP1a.XLS

A(1) BALANCE SHEET: LIABILITIES (£000s)

Society : FYE: .... / ......

		Outturn for financial year		
		Society	Subsidiary Undertakings	Group (consolidated)
A1	Shares			
A1.1	Shares held by individuals			
A1.2	Other shares			
A1.3	TOTAL Shares			
A2	Deposits and debt securities			
A2.1	Amounts owed to credit institutions			
A2.2	Amounts owed to other customers			
A2.3	Debt securities in issue			
a	Certificates of deposit			
b	Fixed and floating rate notes			
c	Other			
A2.4	TOTAL Deposits and debt securities			
A3	Other liabilities			
A3.1	Income tax			
A3.2	Corporation tax			
A3.3	Long term insurance			
A3.4	Other creditors			
A4	Accruals and deferred income			
A5	Provisions for liabilities and charges			
A5.1	For pensions and similar obligations			
A5.2	For tax			
A5.3	Other			
A6	Subordinated liabilities			
A7	Subscribed capital			
A8	Revaluation reserve			
A9	Reserves			
A9.1	General reserves			
A9.2	Other reserves			
A10	Minority interests			
A11	TOTAL LIABILITIES			
	MEMORANDUM ITEMS			
A12	Contingent liabilities			
A12.1	Acceptances and endorsements			
A12.2	Guarantees and assets pledged as collateral security			
A12.3	Other contingent liabilities			
A12.4	TOTAL contingent liabilities			
A13	Commitments			
A13.1	Arising out of sale and repurchase transactions			
A13.2	Other commitments			
A13.3	TOTAL committments			

A(2) BALANCE SHEET: ASSETS (£000s)

Society : FYE: .... / .....

		Outturn for financial year		
		Society	Subsidiary Undertakings	Group (consolidated)
A21	Liquid assets			
A21.1	Cash in hand and balances with Bank of England			
A21.2	Treasury and other eligible bills			
A21.3	Loans and advances to credit institutions			
A21.4	Debt securities			
A21.4a	Issued by public bodies			
A21.4b	Issued by other borrowers			
A21.5	Other liquid assets			
A21.6	TOTAL Liquid assets			
	Loans			
A22	Loans fully secured on residential property to:			
A22.1	Individuals			
A22.2	Housing associations			
A22.3	Others			
A22.4	TOTAL Loans FSRP			
A23	Other loans fully secured on land to:			
A23.1	Individuals			
A23.2	Housing associations			
A23.3	Others			
A23.4	TOTAL Other Loans FSOL			
A24	Other loans to customers			
A24.1	Individuals			
A24.2	Others			
A24.3	TOTAL Other loans to customers			
A25	Investments			
A25.1	In equity shares			
A25.2	In unconsolidated subsidiary undertakings			
A25.3	In consolidated subsidiary undertakings			
A25.4	In associated undertakings			
A25.5	In other participating interests			
A25.6	Other investments			
A25.7	TOTAL Investments			

(continued)

A(3) BALANCE SHEET: ASSETS (continued) (£000s)

Society : FYE: .... / .....

		Outturn for financial year		
		Society	Subsidiary Undertakings	Group (consolidated)
A26	Intangible fixed assets			
A27	Tangible fixed assets			
A27.1	Land and buildings			
A27.2	Plant and machinery			
A27.3	Equipment, fixtures, fittings & vehicles			
A27.4	Payments on account & assets in course of construction			
A28.1	Long term insurance funds			
A28.2	Other assets			
A29	Prepayments and accrued income			
A30	TOTAL ASSETS			

MEMORANDUM ITEMS :

PRIOR YEAR END BALANCES (i.e balances one year prior to financial year end reported in A1 to A30 above)

		Society	Subsidiary Undertakings	Group (consolidated)
A31	TOTAL Assets			
A32	Shares			
A33	Deposits and debt securities			
A34	Capital			
	a) Subordinated liabilities			
	b) Subscribed capital			
	c) Revaluation reserves			
	Reserves:			
	d) General reserves			
	e) Other reserves			
	f) TOTAL Capital (= a + b + c + d + e)			
A35	Loans fully secured on residential property			
A36	Other loans fully secured on land			
A37	Other loans to customers			

A(4) BALANCE SHEET: PROVISIONS (£000s)

Society : FYE: ..... / ..... A(4)

			Provisions balance at start of year	Write offs in year	Provisions charge for year (a)	Provisions balance at end of year (b)
	Asset categories: Society					
A41.1	Loans FSRP:	Individuals				
A41.2		Housing associations				
A41.3		Other				
A42.1	Other loans FSOL:	Individuals				
A42.2		Housing associations				
A42.3		Other				
A43.1	Other loans to customers:	Individuals				
A43.2		Others				
A44	Investments					
A45	TOTAL:	Society				
A46	of which: charges in column 3 not included in B8					
	Asset categories: Subsidiary undertakings					
A51.1	Loans FSRP:	Individuals				
A51.2		Housing associations				
A51.3		Other				
A52.1	Other loans FSOL:	Individuals				
A52.2		Housing associations				
A52.3		Other				
A53.1	Other loans to customers:	Individuals				
A53.2		Others				
A54	Investments					
A55	TOTAL:	Subsidiary undertakings				
A56	of which: charges in column 3 not included in B8					
	Asset categories: Group (consolidated)					
A61.1	Loans FSRP:	Individuals				
A61.2		Housing associations				
A61.3		Other				
A62.1	Other loans FSOL:	Individuals				
A62.2		Housing associations				
A62.3		Other				
A63.1	Other loans to customers:	Individuals				
A63.2		Others				
A64	Investments					
A65	TOTAL:	Group				
A66	of which: charges in column 3 not included in B8					

Outturn for financial year

Notes a) Charged within the income and expenditure account
b) Column 4= Column1 - Column 2 + Column 3

B(1) INCOME AND EXPENDITURE (£000s)

Society : FYE: .... /.....

Outturn for financial year

	Society	Subsidiary Undertakings	Group (consolidated)
B1 Interest receivable and similar income:			
a) On loans fully secured on residential property			
b) On other loans			
c) On debt securities			
d) On other liquid assets			
e) Other interest receivable and similar income			
f) TOTAL interest receivable and similar income			
B2 Interest payable and similar charges:			
a) On shares held by individuals			
b) On other shares			
c) On subscribed capital			
d) On deposits and other borrowings			
e) Other interest payable and similar charges			
f) TOTAL interest payable and similar charges			
B3 Net interest receivable			
B4 Income from investments:			
a) From equity shares			
b) From shares in unconsolidated subsidiary undertakings			
c) From shares in consolidated subsidiary undertakings			
d) From interests in associated undertakings			
e) From other participating interests			
f) From other investments			
g) TOTAL income from investments			
B5 Other income and charges:			
a) Fees and commissions receivable			
b) Fees and commissions payable			
c) Net profit/(loss) on financial operations			
d) Other operating income			
e) Other operating charges			
f) TOTAL other income & charges (= a - b + c + d - e)			
B6 Administrative expenses			
a) Staff costs			
b) Auditors remuneration : on audit work			
c) Auditors remuneration : on other work			
d) Other administrative expenses			
e) TOTAL administrative expenses			

B(2) INCOME AND EXPENDITURE (continued) (£000s)

Society : FYE: .... / .....

	Outturn for financial year		
	Society	Subsidiary Undertakings	Group (consolidated)
B7 Depreciation and amortisation			
B8 Provisions for bad and doubtful debts			
B9 Provisions for contingent liabilities and commitments			
B10 Amounts written off fixed asset investments			
B11 Profit/(loss) on ordinary activities before tax (a)			
B12 Tax on profit/(loss) on ordinary activities			
B13 Profit/(loss) on ordinary activities after tax (= B11 - B12)			
B14 Minority interests			
B15 Profit/(loss) before extraordinary items (= B13 - B14)			
B16 Extraordinary income			
B17 Extraordinary charges			
B18 Extraordinary Profit/(loss) before tax (= B16 - B17)			
B19 Tax on extraordinary profit/(loss)			
B20 Extraordinary profit/(loss) after tax (= B18 - B19)			
B21 Minority interests in extraordinary profit/(loss) after tax			
B22 Other taxes not shown under preceding items			
B23 PROFIT/(LOSS) for the financial year (b)			
MEMORANDUM ITEM :			
B24 Amount of interest suspended on loan assets (ie. interest not charged to B1 on arrears cases and on possession cases) during the year			

Notes a) B11 = B3 + B4(g) + B5(f) - B6(d) - B7 - B8 - B9 - B10
b) B23 = B15 + B20 - B21 - B22

	Outturn for financial year *Group (consolidated)*
C1 Operational value of statutory percentages (to 2 decimal places)	
C1.1 Funding : other than shares held by individuals (X-Y as % of X, in Section 7 of the 1986 Act)	________
C1.2 Lending : other than fully secured on residential property (X-Y as % of X, in Section 6 of the 1986 Act)	________

	Society			***Group (consolidated)***		
	Book Premia	***Loan incentives***	***Loan discounts***	***Book Premia***	***Loan incentives***	***Loan discounts***
C2 Impact of loan book acquisition and loan incentives/discounts						
C2.1 Where expenditure is deferred						
a) Balance at start of year *	________	________	________	________	________	________
b) Amounts added in period	________	________	________	________	________	________
c) Amounts taken to Income & Expenditure in period:						
1) to net interest receivable	________	________	________	________	________	________
2) to other income & expenditure items	________	________	________	________	________	________
d) Balance at end of period *	________	________	________	________	________	________
* as shown in the balance sheet						
C2.2 Where expenditure is NOT deferred						
a) Amounts taken to Income & Expenditure in period:						
1) to net interest receivable	________	________		________	________	
2) to other income & expenditure items	________	________		________	________	

F(1): DIVERSIFICATION

Society: FYE:...../ .... F(1)

(Enter Y for "Yes" in box if the activity is undertaken, otherwise leave blank)

	Undertaken by: Society	Connected undertaking: Subsidiary undertaking	Connected undertaking: Other
F1 Banking Services			
F1.1 Arranging :			
a) Taking of deposits			
b) Lending of money			
c) Hire purchase & leasing			
d) Guarantees			
e) Foreign exchange services			
F1.2 Directly provided:			
a) Current accounts			
b) Cheque guarantee cards			
c) Debit cards			
d) ATMs			
e) Foreign exchange services			
f) Credit cards			
g) Personal loans			
h) Overdrafts			
i) Bridging loans			
j) Hire purchase & leasing			
k) Administrative / Registration of shares issues / transfers			
l) Advice on taxation or financial planning			
F2 Investment services			
F2.1 Arranging:			
a) Stockbroking			
b) Management of investments			
F2.2 Directly provided:			
a) Stockbroking			
b) Portfolio management			
c) Nominee services			
d) Fund management of:			
d1 Pension schemes			
d2 PEPS			
d3 Unit trusts			
d4 Investment trust companies			
d5 Other (including BES)			
e) Investment advice			

(Enter Y for "Yes" in box if the activity is undertaken, otherwise leave blank)

		Undertaken by		
		Society	Connected undertaking	
			Subsidiary undertaking	Other
F3	**Insurance Services**			
F3.1	Arranging :			
	a) General insurance	☐	☐	☐
	b) Life insurance	☐	☐	☐
F3.2	Directly provided:			
	a) General insurance underwriting		☐	☐
	b) Life insurance underwriting		☐	☐
F4	**Trusteeship**			
F4.1	Directly provided:			
	a) Charitable trusts	☐	☐	☐
	b) Trusts for individuals	☐	☐	☐
F5	**Executorship**			
F5.1	Directly provided:			
	a) Arranging wills	☐	☐	☐
	b) Executors for wills	☐	☐	☐
	c) Administrators for estates	☐	☐	☐
F6	**Land Services**			
F6.1	Directly provided:			
	a) Estate Agency	☐	☐	☐
	b) Removal and storage of furniture	☐	☐	☐
	c) Surveys and valuation	☐	☐	☐
	d) Management of land	☐	☐	☐
	e) Development of land	☐	☐	☐
	f) Conveyancing	☐	☐	☐

G(1): SELECTED BUSINESS VOLUMES

Society: FYE: ...../ .....

(Amount in £000s)

		Outturn for financial year					
		Society		Subsidiary undertakings		Participating interests	
		Number	Amount	Number	Amount	Number	Amount
G1	Money transmission: (*)						
(a)	Current Accounts						
(b)	Guarantee cards						
(c)	Debit cards						
(d)	ATMs						
G2	Lending:						
	Advances in period						
G2.1	Fully secured on residential property to:						
(a)	Individuals						
(b)	Housing associations						
(c)	Others						
(d)	TOTAL						
G2.2	Other loans fully secured on land to:						
(a)	Individuals						
(b)	Housing associations						
(c)	Others						
(d)	TOTAL						
	Balances at end period(*)						
G2.3	Others loans to customers: individuals of which:						
(a)	Credit cards						
(b)	Personal loans						
(c)	Overdrafts						
(d)	Bridging loans						
(e)	Hire purchase & leasing						
(f)	Other						
G2.4	Other loans to customers: others						
G3	Housing Activity						
G3.1	Development properties						
(a)	Starts (in period)						
(b)	Completed (in period)						
(c)	Disposals (in period)						
(d)	Under construction (at end period)						
(e)	Unsold stock (at end period)						
G3.2	Rented housing						
(a)	Net acquisitions (in period)						
(b)	Dwellings held (at end period)						
G3.3	Shared ownership schemes						
(a)	Net acquisitions (in period)						
(b)	Dwellings held (at end period)						
G4	Estate agency (Number of properties)						
(a)	Coming onto books in period						
(b)	Sales in period						
(c)	On books at end period						

Notes : * : Information relates to the end year position

(Amount in £000s)

		Outturn for financial year					
		Society		Subsidiary undertakings		Participating interests	
		Number	Amount	Number	Amount	Number	Amount
G5	Administration / Registration of share issues / transfers						
	(a) Transfers registered / new issues transactions	______	______	______	______	______	______
G6	Investment services:						
	(a) Stockbroking : Clients & value of transactions in year	______	______	______	______	______	______
	(b) Portfolio management : Clients & funds under management (*)	______	______	______	______	______	______
	(c) Nominee services : Clients & value of securities (*)	______	______	______	______	______	______
	Funds under management (number of investors and balances) (*)						
	(d) Pension Schemes	______	______	______	______	______	______
	(e) Other (e.g PEPs, unit & investment trusts etc)	______	______	______	______	______	______
G7	Insurance:						
	(a) Funds of life companies (Nos. Policies / amounts of policy holders' funds)			______	______	______	______
G8	Trusteeship (Assets)						
	(a) Charitable Trusts		______		______		______
	(b) Trusts for individuals		______		______		______
G9	Executorship (at end year unless indicated)						
	(a) Wills arranged in year	______		______		______	
	(b) Wills / estates for which appointments held as executor / administrator at year end	______		______		______	
G10	Organisation (numbers) (a) (*)						
	(a) Staff at end year : full time	______		______		______	
	(b) Staff at end year : part time	______		______		______	
	(c) Branches	______					
	(d) Agencies	______					
	(e) Shareholding members	______					
	(f) Borrowing members	______					
	(g) Creditors for deposits	______					

Note a) Staff included should be as per definitions for table N of QFS1

* : Information relates to the end year position

NB: Part time staff at G10(b) refers to actual numbers of part time staff, not full time equivalents

BUILDING SOCIETY: ANNUAL STATEMENT

AFS1: SUMMARY OF CROSS CHECKS *Cross checks within AFS1*

A11	col 1, 2 and 3	=	A30	cols 1, 2 and 3	Total liabilities / assets	[Soc/Subs/Group]
A24.1	cols 1 and 2	=	G2.3	cols 2 and 4	Other loans to customers: individuals	[Soc/Subs]
A45-A46	col 3	=	B8	col 1	Total loan and investments provisions	[Soc]
A55-A56	col 3	=	B8	col 2	Total loan and investments provisions	[Subs]
A65-A66	col 3	=	B8	col 3	Total loan and investments provisions	[Group]

Section F Where there is a tick in any box in section F, there should be a corresponding entry in Section G, in the appropriate column.
NB. Column 3 in Section G ('Participating Interests') does not necessarily represent the totality of Column 3 in Section F ('Other')

SUP 16 Ann 4G: Guidance notes on completion of building societies' reporting forms

1. MFS1 and MFS2

2. MFS1 Supp

3. QFS1

4. QFS2

5. AFS1

6. Analysis of interest rate risk gap

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY: MONTHLY STATEMENT

MFS1

GUIDANCE NOTES

Sections

Appendices (classification of Institutional Sectors)

Submission of returns (by close on number of business days after month end as indicated)

	Tables B to G	Table A
Largest societies	7	9
Other societies	10	12

Notes:

- please submit sets B to G and A separately, with each accompanied by a copy of the front sheet of the return;
- dates also apply in respect of MFS2 returns to be completed for subsidiary undertakings.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

This section covers a number of points that have relevance across the return generally:

2) Building Societies Act 1986

3) Accounting conventions

4) Accuracy

5) Society, connected undertakings and group figures

6) Sector analysis

7) Specific items:

   (i) position to be reported gross
   (ii) accrued interest
   (iii) foreign currencies
   (iv) use of brackets (..) around figures
   (v) cross checks within the return

8) Building society mergers

2. Building Societies Act 1986

Any reference to "the 1986 Act" is a reference to this legislation (as subsequently amended).

3. Accounting conventions

Unless advice is given to the contrary in these Guidance Notes, the return should be compiled using standard accounting practice and in accordance with accounts regulations made under the 1986 Act.

The return has been designed with the aim of harmonising line items wherever possible with those required under accounts regulations, and as used in societies' published and internal accounts. In many instances line items reflect the basis adopted in the 1998 accounts regulations.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

4. Accuracy

It is expected that entries on the return will be actual values or in some cases close approximations established or drawn from the society's systems and prepared on the basis of being the best information in the time available for their compilation.

5. Society, Connected Undertakings and Group figures

Societies may hold investments in different types of undertakings.

The 1986 Act defines certain undertakings in which a society may have an interest as "connected undertakings", that is "subsidiary undertakings" and "associated undertakings". In addition to these however a society may also have "other participating interests" or hold "other equity shares" (that is non participating interests). These terms are amplified below:

Subsidiary undertakings: As defined in Companies Act 1985, section 258, which essentially means undertakings over which the society exercises control or dominant influence.

Participating interests: An interest held by a society in the shares of another undertaking which it holds on a long term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest. A holding of 20 per cent or more of the shares of an undertaking is presumed to be a participating interest unless the contrary has been agreed with the Financial Services Authority. (Full definition is that given in Companies Act 1985, section 260).

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

For the purposes of group figures the category "**participating interests"** sub-divides into:

> **Associated undertakings**: A participating interest in which the society exercises a significant influence over the operating and financial policy. (Full definition given in Companies Act 1985, schedule 4A paragraph 20).
>
> **Other participating interests**: A participating interest that does not fall to be included within the definition of an associated undertaking.

Other equity shares: These essentially refer to non-participating interests in other undertakings. They include any other investments which do not fall to be included within any definition above, such as trade investments (eg BACS, APACS etc) or other forms of equity holdings (eg XYZ plc).

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5. Society, Connected Undertakings and Group figures (continued)

The accounting treatment of these investments is best summarised. Reference to the table below should help societies to determine an acceptable and reasonable approach:

BALANCE SHEET		**Society**	**Group**
(a)	Subsidiary undertakings	Investment at cost less any permanent diminution in value	Full consolidation line by line.
(b)	Participating interests in:		
(b).1	Associated undertakings	Investment at cost less any permanent diminution in value.	Cost of investment and share of post acquisition retained reserves.
(b).2	Other participating interests	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.
(c)	Other equity investments	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.

Note: only one of (b)1 or (b)2 applies for each column.

INCOME AND EXPENDITURE ACCOUNT		**Society**	**Group**
(a)	Subsidiary undertakings	Dividend receivable	Full consolidation line by line.
(b)	Participating interests in:		
(b)1	Associated undertakings	Dividend receivable	Share of profits or losses.
(b)2	Other participating interests	Dividend receivable	Dividend receivable.
(c)	Other equity investments	Dividend receivable	Dividend receivable.

Note: only one of (b)1 or (b)2 applies for each column.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

The return is designed to collect balance sheet and transaction data for the society and where applicable "core" connected undertakings, together with a limited amount of information on the building society group. Coverage is as described below:

5(i) **Society and Group**

One return must be completed by each society with

Section A covering society/subsidiary undertakings/group.

Section B-G covering society only.

5(ii) **"Core" subsidiary undertakings**

A separate return (MFS2), comprising sections B to G inclusive, must also be completed for each "**subsidiary undertaking**" doing "core" business. For the purpose of this return **an undertaking** is doing "core" business if it is one doing any of the following mainstream or **core** activities:

- Deposit taking
- Lending secured on residential property or other land
- Unsecured lending

NB See notes on table A for fuller details.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

In the summary balance sheet (Section A) the column entries in respect of core and non-core "**subsidiary undertakings**" refer only to those required to be consolidated in Group Accounts under the Accounts Regulations. The summary balance sheet figures will exclude figures in respect of **associated undertakings** (even though separate monthly returns may also be submitted in respect of such bodies) except that entries will be needed in the consolidation adjustments to ensure the final column includes the associated undertaking, or other participating interests adjustments (see Introduction/4) included in the Group figures.

5(iii) Companies not covered by the monthly financial statement

The Financial Services Authority may from time to time also request information on either a **subsidiary or an associated undertaking** not covered by the monthly return (i.e. those not referred to above). These will be requested on an individual society basis.

6. Sector analysis

NB: Transactions with Offshore deposit takers (i.e. in Channel Islands and Isle of Man) are now classified as transactions with the non-resident sector.

The classification of balance sheet items by institutional sector essentially follows the current international guidelines embodied in the European System of Accounts 1995. On this return it identifies:

(a) UK public sector

(b) UK banking sector

(c) UK building society sector

(d) Other UK sector (UK non-bank, non-building society private sector.

NB: For national accounts purposes building society connected undertakings or other interests may fall into the Other UK Sector (eg doing secured/unsecured lending in the UK); the Banking Sector (eg doing deposit taking in the UK) or the non-resident sector (eg doing deposit taking outside the UK).

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

(e) Non-resident sector.

Further details are given in (i) to (vi) below:

6(i) United Kingdom ("UK")

For the purposes of this return it comprises Great Britain and Northern Ireland; **but not (as previously)** the Channel Islands and the Isle of Man.

6(ii) UK public sector

Comprises central government, public corporations and local authorities. See detailed definition in Appendix II, sections 5-7.

6(iii) UK banking sector

It includes the following:

(a) UK offices of banks (Appendix II, section 2);

(b) the Bank of England (unless where separately identified on return).

Do not include building society subsidiary undertakings, or subsidiaries of UK banks unless they are UK banks in their own right.

Also exclude the following, which should be classified as "Other UK sector" (other financial corporations):

(a) bank holding companies (see Appendix II, Section 3(9)(c));

(b) gold dealers which are not banks;

(c) certain institutions which are not banks whose main function is to extend credit abroad (see Appendix II, section 3(9)(a)).

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

Care must be taken to distinguish between UK offices of banks which should be classified as UK banking sector, and their branches, subsidiaries and associates overseas, which should be classified within the non-resident sector.

6(iv) UK building society sector

Comprises building societies only. Branches of building societies located in the Channel Islands, the Isle of Man or elsewhere outside of the UK etc should be excluded.

6(v) Other UK Sector (UK non-bank non-building society private sector)

Comprises all other UK residents. UK residents comprise both individuals and businesses. Individuals are UK residents if permanently resident in the UK (even if temporarily resident overseas for less than a year), or if temporarily resident in the UK for more than a year, or if members of the UK armed forces or officials of HM Government serving overseas.

Businesses resident in the UK comprise enterprises which produce goods and services in the UK, including overseas enterprises' branches and subsidiaries located and operating in the UK. See Appendix I for a detailed definition of residence.

6(vi) Non-resident sector

Comprises all individuals and businesses not treated as resident in the UK. See Appendix I for a detailed definition of residence.

7 Specific items

7(i) Positions to be reported gross

In general, liabilities and assets should be shown gross, and not netted off. Thus an account which moves from credit to debit will move from one side of the balance sheet to the other.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

A notable exception to this however concerns the reporting of loan assets (eg in tables A, B and F) which are subject to "linked presentation" under FRS5. Such assets should be shown in the balance sheet net of linked funding and also on this basis in table F(1). But in the special analysis in section F9 (table F(2)) they should be shown on a gross basis.

7(ii) Accrued interest

Accrued interest is identified explicitly in the balance sheet under specific sub-heads. Analysis elsewhere on the return may require either the inclusion or exclusion of accrued interest, but this is indicated on the face of the return as appropriate.

7(iii) Foreign currencies

Any liabilities (including borrowing whose proceeds are swapped into sterling) or assets that are denominated in currencies other than sterling should be shown separately in the columns provided in the balance sheet sections of the return. Amounts in foreign currencies should be translated into their equivalent sterling value at the closing middle market spot rate on the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value entered in the column headed 'euro' or 'other currencies' as appropriate. Thus all entries in the form represent sterling amounts. Societies should apply the same accounting treatment as for the published accounts having regard to SSAP 20.

7(iv) Use of brackets (..) around figures

All amounts should be shown without brackets unless:

(a) the amount is of the opposite sign to that expected

(b) the entry could either be positive or negative: in which case the sub heading should indicate which of "other debit/credit" is to be shown in brackets.

BUILDING SOCIETY: MONTHLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

In either balance sheet or transactions analyses where an item is routinely to be deducted (eg provisions in balance sheet, or "withdrawals" in table C) the amount should **not** be shown in brackets. The **exception** would be if the value was itself of the opposite sign (ie negative) and required to be added not deducted in which case brackets would be necessary.

7(v) Cross checks within the return

The return features a number of cross references or cross checks where an item should agree with another item elsewhere in the return, or should agree mathematically with some stated relationship between two or more other items. These are conveniently summarised in Section X of the guidance notes.

8 Building society mergers

Where a merger of societies takes place, then **in the month during which the merger occurs:-**

i. the transferring society should complete a return detailing its transactions in the period to the date of the merger and its closing balances;

ii. the accepting society should complete a normal monthly return which reflects both its transactions before the merger and the transactions and balances of the combined society post merger. The share, deposit and debt securities and loan asset balances acquired from the transferring society should be included in the "Other debits/(credits) and transfers (net)" column in tables C, D and F respectively. Loan commitments taken over from the merged society should be included in the column headed "Commitments made since end of previous month".

NB **Specific** guidance covering both the contents and submission of returns is routinely provided to the societies involved at the time of a merger.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION A: SUMMARY BALANCE SHEET

1 Balance sheet items

Balance sheet items are as defined in Section B which provides notes on specific line items.

2 Society/Subsidiary undertakings/Group

The columnar analysis should be prepared as follows:

Column 1: Society

Figures should agree with those prepared for the society in the more detailed balance sheet in Section B of the return.

Columns 2-5: "Core" subsidiary undertakings

Refers to those undertakings which are a) doing business closely related to the mainstream business of the society, and which are b) required to be consolidated within Group Accounts under the Accounts Regs. Mainstream or "core" business is taken as deposit taking, secured lending and unsecured lending. Figures supplied should be in respect of the reporting month and not for any earlier time period. If 'actuals' are not readily available then estimates should be used. Details of individual columns follow:

Column 2: Deposit takers

Undertakings doing deposit taking, the main examples of which are currently UK registered companies operating offshore in the Channel Islands or Isle of Man; companies established in the Channel Islands or Isle of Man; or other undertakings established in other countries primarily to take deposits. It would also include a UK deposit taker (in which case such an undertaking would be a bank).

Column 3: Secured lenders

Mortgage companies, primarily set up to do secured lending, whether registered in UK or in other countries, and whether lending in UK or elsewhere.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION A: SUMMARY BALANCE SHEET (continued)

Column 4: Unsecured lenders

Undertakings primarily doing any form of unsecured lending, eg personal loans, credit card etc. Applies to any country.

Column 5: Other "core" subsidiary undertakings

Other subsidiary undertakings doing "core" business:

(a) at present there are no such examples, but it would include any undertaking that was doing both deposit taking **and** secured lending, as opposed to primarily doing one or the other;

(b) if there are cases in the future, then societies will be advised as to their treatment in the return.

Column 6: Other subsidiary undertakings

Covers all non-core subsidiary undertakings but only those requiring to be consolidated within Group Accounts under the Accounts Regs.

Because of the need to compile timely figures it will be acceptable for societies where such information for the reporting month is not readily available, to either use estimates or, to use figures on a lagged basis providing they do not refer to a period more than 3 months earlier than the reporting month.

Column 7: Consolidation adjustments

Adjustments to eliminate intra group balances in order that the group be presented as a single entity.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION A: SUMMARY BALANCE SHEET (continued)

Column 8: Group

The total for the Group prepared on a consolidated basis in line with standard accounting practice.

NB: In relation to columns 2-6 it should be noted that where an overseas undertaking is involved the classification of its particular assets and liabilities may not exactly match the society's balance sheet headings. In these circumstances the society should follow the same classification conventions as used in the preparation of published group accounts.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Liabilities

B1-B2.10 Shares/Deposits

Should the balance on a **current account** become overdrawn the debit balance should be treated as an "Other Loan to Customers".

B1 - B4. Interest accrued

This should be shown gross.

B1. SHARES

This covers shares as referred to in Section 8 of the 1986 Act.

It should include:

(a) shares from individuals

(b) shares from any others entitled to hold such accounts under the 1986 Act, ie shares held by corporate bodies on the day before a society's "effective date"

(c) shares placed with any branch of the society (in the UK or overseas)

(d) interest credited to accounts

(e) investment receipts temporarily posted to mortgage accounts in a combined investment/mortgage transaction

but should exclude:

(f) mortgage payments temporarily posted to investment accounts in a combined investment/mortgage transaction (eg one banker's order)

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Liabilities (continued)

B2. DEPOSIT AND DEBT SECURITIES

This is a breakdown of liabilities in respect of deposits accepted by the society (including the issue of debt securities), subject to the limitations in Section 8 of the 1986 Act.

B2.0 Deposit from individuals

Individuals means a natural person.

B2.4 Building Societies

In the case of a return completed for a subsidiary undertaking, all loans from the parent should go here.

B2.5 UK Banking Sector

i. **Bank of England**

Deposits includes funds received arising from repo-transactions with the Bank itself.

ii. **Other Banks**

Includes deposits from banks in the UK [including any building society subsidiary undertaking **taking deposits in the UK** which is a UK bank**]** but excludes bank borrowing which should be included under B2.11. In addition to ordinary deposits, it also includes any funds arising from repo-transactions with banks in the UK.

B2.11-13 Borrowing from banks

Includes syndicated and other borrowing from banks. If the exact split of syndicated borrowing between the UK banking sector and non-resident sector is not known, then an estimate should be made. If that is not possible then the loan should be shown according to the sector of the lead manager. (Syndicated borrowing other than from banks should be shown under 'Other deposits' in B2.1-2.10.) Overdrafts and any other form of borrowing from UK banks not shown elsewhere, should be included here.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Liabilities (continued)

B2.14-18 Debt Securities

Deep discounted bonds should be included at issue/purchase price with the "discount" accruing in interest accrued at item B2.19.

B3 CAPITAL

B3.1 **Reserves** should include general and any 'special' reserves but not revaluation reserves (which should be included at B3.3).

B3.2 **Subscribed capital** includes permanent interest bearing shares (PIBS), and any other subscribed capital which may be approved in the future.

B3.4 **Subordinated debt (qualifying).** Subordinated debt **not** qualifying as capital should be included under an appropriate heading in section B2. Includes both term and undated subordinated debt.

B3.5 **Other capital** - covers capital not described above, and in particular new forms of capital that may be approved in the future but which do not qualify for inclusion in any of items B3.2 or B3.4. In the case of a **return completed for a subsidiary undertaking** all capital provided by the parent society should go here.

B4. **OTHER LIABILITIES** includes:

B4.4 **Long term insurance liabilities** is the total amount due to policyholders. This entry will only be relevant on MFS2, and then only in rare circumstances where an undertaking is carrying on life insurance business and is also doing "core" business. It will however be relevant for the corresponding item in table A where a society has a life insurance subsidiary.

B4.5 **Other** includes trade creditors and deferred income; provisions for liabilities and charges.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Liabilities (continued)

B5. **TOTAL LIABILITIES**

For each of the columns "sterling", "euro", "other currencies" and "total", the amount at 'Total liabilities' should agree with each of the total of all solid boxed entries;

Memo items **LIABILITIES**

B/ML1 **TRANSIT AND SUSPENSE ITEMS (Liabilities)**

These items represent amounts not included in Total Liabilities. They:

Include all such items which are essentially en route between customers of banks and building societies; but

Exclude items which are essentially the society's **own** funds, such as trade creditors: these should be included under "Other Liabilities".

and are analysed separately between items in suspense, and credit items in transmission as described below:

B/ML1a **Items in suspense**

This comprises all credit balances not in customers' names, but relating to customers' funds (as opposed to the society's internal funds)

Include, for example,

a. Valuation fees where the society passes on the fee to the property valuer

b. Special accounts where the society is acting as a collecting agent (eg for charities)

c. Accounts holding funds awaiting transfer to customers (but not accounts relating to interest accruing, or interest suspense accounts)

d. Customers' funds awaiting investment which have been transferred to an account not in the name of the customer

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Liabilities (continued)

e. Funds placed on account to meet travellers' cheques issued by the society but not yet presented

f. Returnable application monies for capital issues

g. Funds transferred from customers' accounts to an account not in the name of the customer to meet acceptances, confirmed credits, etc

But exclude any amounts payable in respect of transactions not due until a future settlement date which arise if the society reports investments on a contract date basis.

If any credit balances relating to customers' funds of a suspense nature have already been included in total liabilities, do **NOT** include these in this item as no liabilities should be counted again here.

B/ML1b Credit items in the course of transmission

This comprises transit liabilities which are essentially en route between customers of banks and building societies eg standing orders and credit transfers debited to customers' accounts, and other items for which the corresponding payment has not yet been made by the society to a UK bank or another building society. Exclude items where the corresponding payment is to a non-resident bank.

Include all credits in course of transmission, including those to the society's own UK branches, whether passing through the credit clearing system or not. Also include unpresented cheques, bankers' payments etc. drawn on the society's sight or correspondent accounts with UK banks but not yet debited by the bank and which do not yet appear on the bank statement.

In the memorandum item, report 100% of the sterling credit items in course of transmission. In the calculation of eligible liabilities in table B(7) however, only 60% of this figure is used.

NB: Transit and Suspense items are not a component of total liabilities. They are essentially a negative item within "bank deposits" on the asset side (see B6.3 below).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets

B6. LIQUID ASSETS

General

Liquid assets in this section of the return are those assets shown as liquid assets under the Accounts Regulations and in a society's published and other accounts. Liquid assets in the balance sheet (and in table A) are not the same as prudential liquidity, which is analysed in table E.

Stock Lending

No adjustment should be made to the amount or categorisation of liquid assets shown in the balance sheet to take account of any stock lending carried out as provided for in the Financial Services Authority's Prudential Guidance on Liquidity. [Chapter 5 of Volume 1 of the Interim Prudential Source Book ("IPSB") for Building Societies]. In subsequent pages of these guidance notes, prudential guidance in the IPSB for Building Societies will be referred to as P/G.

Gilt Repo

The Prudential Guidance on Liquidity refers to gilt-repo activity, and provides details of reporting implications in an Annex. That part referring to the balance sheet is reproduced below, but includes amplification of the line items relevant to the coding of liquid asset deposits in a reverse repo.

Repo	Reverse Repo
Balance Sheet	
a. **The security** which is the subject of the repo **remains on balance sheet**	a. **Funds paid** to the counterparty as part of a reverse repo (in return for securities) **remain on balance sheet**, and should be recorded as a liquid asset deposit (classified according to the type of counterparty). This is, in MFS1: B6:2 Central Bank counterparty B6:3 Bank counterparty B6.8 Local authority counterparty B6.12a Building societies B6.12b Other UK counterparty B6.12c Other non-resident counterparty
b. **Proceeds received** as a result of the repo are **treated as deposit funding**, and classified according to the type of counterparty providing the funding	b. but **securities received** (collateral) **should not be shown** in the balance sheet.
c. The **corresponding asset for this new funding** will depend on its disposition at the reporting date. Whilst at the time of receipt it will no doubt constitute part of the society's liquid assets, at the time of reporting it may either still form part of liquid assets (classified according to its use) or may by then have been advanced as a loan asset etc	c. **The net effect of the reverse repo** is that assets and liabilities do not materially change.
d. The **net effect of the repo** is that liabilities and assets are increased by the amount of funding received as a result of the repo.	d. Subsequently, **if these securities** received under the reverse repo **are used in a new repo transaction**, then the new funds are treated as in steps (b) and (c) under the Repo column.

NB: In the case of complex, multi-step transactions:

Whether conducting a repo or a reverse repo, societies should take particular care not to "double count" either the stock or the cash as liquidity. This is especially relevant to more complex situations where, for example, gilts reversed in are subsequently repoed out or sold, taking into account any timing mismatches that occur.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

The type of assets available to societies for the management of liquidity is outlined in the above mentioned P/G. Connected undertakings may hold other types of asset as "liquidity" depending on the powers available to them, in which case such assets should either be classified to the relevant generic category or "other liquid assets" as appropriate.

B6.1 **Cash (notes and coins)** should include UK coin, and bank notes issued by the Bank of England, the Scottish and Northern Irish note issuing banks and Channel Island authorities under "sterling" column. Notes and coin of other countries outside of the UK should be disclosed in the appropriate column. Unbanked cheques should not be included. If it is not possible to distinguish between cash and unbanked cheques then the split should be estimated.

B6.2 **Deposits with central banks** refers to the Bank of England in the UK and equivalent institutions in other countries.

B6.3 **Bank Deposits**

should include:

(a) current and deposit accounts with UK banking sector institutions (excluding Bank of England) and banks resident overseas (and which are not part of UK banking sector). Balances should be balances with banks as shown by the society's records (eg "cashbook"), and should be equivalent to taking the bank statement balance as the starting point, **less:**

(i) cheques drawn by the Society on a bank but not yet presented to the bank by the payee and any other similar liability transit and suspense items (see memo item after B5 above); **plus**

(ii) cheques drawn in favour of the Society but not yet presented to the bank. This amount should be shown in the memorandum item: 'Transit & Suspense items' (Assets).

but should exclude:

(b) bank overdrafts which should be shown as a liability under item 'Borrowing from banks', not included as a negative figure in this section except where there is a legal right of set off by the bank against debit balances held on other bank accounts.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

B6.5 **Other money market instruments** covers those other than CDs. Commercial paper is the only example at present but there may be others at some future date.

B6.6 **Bonds, notes and other capital instruments** includes fixed rate bonds, floating and variable rate bonds, medium term notes and euro-notes.

B6.7 **Bills** include bills accepted by any eligible bank, and Treasury bills.

B6.8a) **Local Authority temporary debt** should include all loans to local authorities, holdings of local authority securities, bills and other paper, and deposits with local authorities, with an original maturity [NB <u>not</u> current maturity] of less than 12 months including longer term loans and mortgages repayable at the lender's option within one year.

B6.8b) **Local Authority long-term debt - listed securities** covers those issued by local authorities with an original maturity over 12 months.

B6.8c) **Local Authority long-term debt - other** includes all other lending to local authorities, including deposits, not included above.

B6.11 **Sovereign securities**: covers securities which are issued by or guaranteed/backed by UK or overseas governments. They are analysed as follows:

(a) **Sovereign debt** which is debt securities issued by UK or overseas governments:

a1) **UK government**: covers gilts. UK government ECU issues would go under Euro column.

a2) **Overseas governments** cover those debt securities issued by overseas governments.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

(b) **Sovereign backed or supported by** covers those securities not issued by a government but which are either guaranteed by a government or where the issuer is either backed by a government or whose capital has been subscribed by a government:

b1) **UK government** backed or supported, includes securities guaranteed by UK government (eg those issued by nationalised industries), or securities issued by any body whose capital is subscribed by UK government only (eg GEFCO [Government Export Finance Company])

b2) **Overseas government** backed or supported, includes securities guaranteed by other governments, and securities issued by intergovernmental investment and development institutions whose capital is subscribed by one or more overseas governments. These latter institutions are often referred to as supra national bodies and agencies. Examples would include:

Backed or supported by a single overseas government:

- France: EDF (Electricite de France), SNCF
- Italy: Feroovie dello Stato (State Railway)

Backed or supported by more than one overseas government

- African or Asian or Caribbean Development Banks;
- Council of Europe Resettlement Fund
- European Atomic Energy Community
- European Bank for Reconstruction and Development
- European Coal and Steel Community
- European Company for the Financing of Railway Rolling Stock
- European Economic Community
- European Investment Bank
- European Telecommunications Satellite Organisation
- Inter-American Development Bank
- International Bank for Reconstruction and Development (the World Bank)
- International Finance Corporation
- International Monetary Fund
- Nordic Investment Bank

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

B6.12 **Other liquid assets:** includes those with

(a) **Building society sector**: deposits placed with other societies, and any other liquid asset with the building society sector not shown in B6.1-11; or where the return is completed for a subsidiary undertaking it is the amount placed with the parent or other building society.

(b) **Other UK sector** including any liquid asset not included above, eg National Savings Bank deposits and instruments; deposits with gilt-edged market makers; deposits with Stock Exchange money brokers.

(c) **Non-resident sector**, that is any overseas institutions not included in any other category of liquid assets.

B7 **LOANS AND INVESTMENTS**

Loans fully secured on residential property (FSRP) and other loans fully secured on land (FSOL) are as defined in the 1986 Act.

Reclassification of old Class 2 loans

NB: The following two paragraphs cover the situation when loans were reclassified onto the new basis under the amended 1986 Act when a society reached its "effective date" for adoption of new powers under the 1986 Act.

However, it should be noted that due to a drafting error in the 1997 Act not all old Class 2 loans secured on residential property will, after a society's "effective date", count as FSRP (ie they will not be within the new 75% lending nature limit). This applies in particular to **existing loans secured on residential property**: to **housing associations**, to individuals on **second mortgages** (other than where the first mortgage is also to the society) and to any such **loans to companies**.

This anomaly only applies to existing loans as at the date on which a society adopts the new memorandum and rules under the 1997 Act. Such loans made on or after that date will count as FSRP (and be within the 75% lending nature limit).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

All balances entered should only bring into account interest which is due at the reporting date: interest in respect of the remainder of the society's financial year should be excluded since it is not due at the reporting date. Provisions for bad and doubtful debts should not be deducted from individual line items B7.1-7.4 and each of these asset line items should be shown 'gross'. The amount of provisions should be shown separately (B7.6). Balances will however take account of any amounts written off loan assets as shown in the transaction table in Section F.

B7.1&2 Loans FSRP and Other Loans FSOL are the aggregate amounts of mortgage debts outstanding in respect of advances on these categories of loans. Include mortgage receipts temporarily posted to investment accounts, but exclude investment receipts temporarily posted to mortgage accounts.

B7.3(a) **Other Loans to Customers: Individuals** includes bridging loans, personal loans, credit cards, overdrafts, and also some secured loans.

B7.3(b) **Other Loans to Customers: Other** includes all other loan assets not included above, including loans to connected undertakings (except where they fall to be treated as "investments" in B7.4).

B7.4 **Investments** are the aggregate amount outstanding in respect of:

i. Shares (ie share capital) in connected undertakings

ii. Certain loans of a longer term nature (and typically where a repayment schedule is not expected) to connected undertakings; and

iii. Other equity Shares.

See Introduction, section 5, first paragraph for details of connected undertakings

B7.5 **TOTAL Loans and Investments (Gross)** is a subtotal of all items in B7.1 to B7.4.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

B7.6 **Provisions:** cover general and specific and refers to amounts prepared on a basis consistent with the same items presented in the published accounts. The amount shown should be updated throughout the year whenever updates are made to provisions charged in the Income and Expenditure Account.

B7.7 **TOTAL Loans and Investments (Net)** is B7.5 net of provisions in B7.6.

B7.8 Is an **analysis by sector** of all loan assets before deducting provisions, that is of the total in B7.5 (to which the sum of component sector lines should agree). Sector definitions are referred to at section 6 of the Introduction to these notes.

B8 **FIXED ASSETS**

Comprises all fixed assets including residential properties held for rental purposes.

B9. **LONG TERM INSURANCE FUNDS**

Means assets of long term insurers which represent funds arising from the carrying on of long term insurance business. See also note against B4.4 for application to MFS2 and table A.

B10. **OTHER ASSETS** includes

(a) trade debtors

(b) any other item for which payment is due to the society but has not yet been received

(c) all other assets not shown elsewhere.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

B 11. TOTAL ASSETS

For each of the columns "sterling", "euro", "other currencies", and "total", the amount at 'Total Assets' should agree with each of:

(a) the total of all solid boxed entries; and similarly

(b) the dotted box against B6.14 together with solid boxed entries against subsequent items.

Memo item **ASSETS**

B/MA1 TRANSIT AND SUSPENSE (Assets)

This is subdivided into items in suspense, and debit items in the course of transmission.

B/MA1a Items in suspense

This includes any items which are debit balances not in customers' names but relating to customers' funds, eg debit balances awaiting transfer to customers' accounts rather than the society's own internal funds, and funds of the society lodged with applications for new issues, even if the funds are returnable and any amounts receivable in respect of transactions not due until a future settlement date which arise if the society reports investments on a contract date basis.

B/MA1b Debit items in course of transmission

This comprises cheques, etc, drawn in favour of the society and drawn on, and in course of collection on, UK banks (including the Bank of England) and other building societies, and debit items in transit between UK offices of the society.

Include cheques that have been credited to customers' accounts but are held overnight before being presented or paid into the society's account with a UK bank.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Assets (continued)

Items sent by post for collection from a UK bank or other building society should be regarded as in course of collection until it is reckoned that they have been received by the addressee.

Excludes cheques, etc, which have been passed to UK banks or other building societies for collection and credited to the society's account irrespective of whether this account is the society's sight account, or a settlement or clearing (ie correspondent) account in the books of the UK banks or other building societies. These should be included in item B6.3a.

In this item, report 100% of debit items in course of transmission. The calculation of eligible liabilities in table B(7) will however use only 60% of this.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Eligible Liabilities

(There are no items B12-B19 in the return)

B20 ELIGIBLE LIABILITIES

This information forms the basis on which the Bank of England will monitor a society's eligible liabilities and issue call notices concerning the amount of **cash ratio deposits** to be placed with the Bank.

This section of the return is designed to capture all of the component items that go to make up eligible liabilities, including relevant offsets and other deductions.

Apart two items (B20.12 and B20.13 which are covered below), all other items in table B(7) are directly extractable from specific line items in tables B(1) to B(6), and relevant cross references are given which define the amounts to be included in the various B20 items.

B20.12 Over 2 year sterling share and deposit liabilities (optional)

This is an optional item that you may choose not to complete. It should comprise sterling shares and deposit liabilities that were included in B20.1 where the shares and deposits cannot be withdrawn under any circumstances within two years of being placed, except when specified exceptional events occur, such as the death of a personal depositor. For example, a deposit placed for three years but which can be withdrawn at anytime either with a notification period or loss of interest (or both) should **not** be included in this item. Also exclude from this category any deposits from UK banks or non-resident offices of the society (see B20.13 below for definition).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION B: BALANCE SHEET: Eligible Liabilities (continued)

B20.13 Non-resident offices adjustment (optional)

This is an optional item that you may choose not to complete. Its aim is to allow any **gross** sterling deposit liabilities from non-resident offices of the society (which were included in B20.1) to be scored **net**. However a net asset position cannot be treated as an offset in the calculation. Enter any funds lent to non-resident offices of the society up to a value equal to, or less than, the deposit liabilities received from the non-resident offices of the society. Non-resident **includes** the Channel Islands and Isle of Man. Non-resident offices of the society are:

a. a non-resident branch of the society

b. a wholly-owned non-resident banking subsidiary undertaking of the society

B20.14 Total eligible liabilities

Total eligible liabilities comprise B20.5 less B20.11, B20.12 (if completed) and B20.13 (if completed).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION C: FUNDING: SHARES

C1. SHARES

This provides a breakdown of the change in the balance sheet item between this return and the previous return in respect of **shares from individuals and others**. Accrued interest is excluded. The columns are as follows:

Receipts

should include

(a) interest paid to investors by warrant and re-invested by them at a later stage.

(b) investment receipts temporarily posted to mortgage accounts which are combined investment/mortgage transactions.

but should exclude

(c) transfers between accounts.

(d) mortgage payments temporarily posted to investment accounts which are combined investment/ mortgage transactions (eg one banker's order).

(e) interest credited either to an account or transferred to an alternative account (warrant transfers).

Withdrawals

should include:

(a) transfers to mortgage accounts.

(b) withdrawals which incorporate in part or in whole previously credited interest and bonuses.

(c) withdrawals of credit balances on current accounts. (Should the current account become overdrawn the debit balance should be treated as an "other loan to customers: individuals".)

but should exclude

(d) transfers between accounts.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION C: FUNDING: SHARES (continued)

(e) interest and bonuses paid out.

Interest Paid

should include:

(a) interest or bonuses paid out on account closure.

(b) interest paid out monthly, quarterly, half yearly or annually.

but should exclude:

(c) any interest already counted as 'interest credited' in this or previous returns.

Interest paid has two components:

(d) the total amount of interest paid shown on a gross basis

(e) the amount of tax deducted, so that (d) minus (e) is the actual amount paid out

Interest Credited

should include:

(a) interest capitalised at normal due dates.

(b) interest credited to alternative accounts (warrant transfers)

but should exclude:

(c) all interest provisions eg SAYE and regular savings bonuses until added to accounts.

Interest credited has two components:

(d) the total amount of interest credited shown on a gross basis

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION C: FUNDING: SHARES (continued)

(e) the amount of tax deducted, so that (d) minus (e) is the actual amount credited to account balances.

Other (debits)/credits and transfers (net)

should include share balances acquired on acceptance of a transfer of engagements.

C2. ANALYSIS BY ACCOUNT TYPE (original maturity)

Investments are classified according to the original notice period and all the investments in a particular account are classified together ie all the investments in a 90 day account are classified in the 3 months notice/penalty category, even if investments above a certain level in an individual account are withdrawable on demand and without penalty.

The basis of the "CAR" interest rate is described in Section G (at 3(b)).

Where the society credits interest to an account other than that on which such interest is earned, the amount should be shown under "interest credited" on the account type on which it is earned, and the transfer to another account should be recorded under "other (debits)/credits and transfers (net)".

C2.1 Instant Access (0-7 days) includes

Ordinary Share accounts: those share accounts with no special terms relating to receipts or withdrawals.

Cheque/Transactions accounts: those share accounts which include, as an integral part of the account, the means to make payments to third parties. Any accounts specifically established for use with ATMs should also be included here.

NB: excludes those cheque/transaction accounts which are designated as deposits (and not shares).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION C: FUNDING: SHARES (continued)

Seven day and instant access/no penalty accounts: those accounts offering a higher rate of interest than ordinary shares and include accounts from which investments can be withdrawn at seven days' notice or less or from which immediate withdrawals can be made with seven days interest penalty or less. See below for treatment of investments above a certain level in certain longer notice accounts which are withdrawable on demand without penalty.

C2.2-4 **Notice accounts** includes

One month's notice/penalty accounts include all accounts from which investments can be withdrawn at one month's (or 28 days') notice or from which immediate withdrawals can be made with one month's (or 28 days') penalty. Include also any accounts requiring a notice period of 8 to 45 days inclusive.

Two/Three months' notice/penalty accounts refers to accounts which require more than one month's notice of withdrawal or impose penalties of more than one month's interest on an immediate withdrawal but which are not term accounts. Two and three months' (60 and 90 day) notice/ penalty accounts fall into this category. Because of varying notice periods required the '2 month' and '3 month' categories are defined in days as well.

C2.5-9 **Term accounts** includes

Term accounts with withdrawal facility: those accounts which require investment for a fixed term (offering variable or fixed rate of interest), and which also permit withdrawals at, for example, three months' notice, on terms set out in the investment prospectus.

Terms accounts without withdrawal facility: those accounts which also require an initial investment period, during which no withdrawals can be made (except in the case of death).

C2.10-11 **Contractual** includes:

Tessa: Tax-exempt Special Savings Accounts

Other: includes regular savings such as SAYE

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION C: FUNDING: SHARES (continued)

NB: Individual Savings Accounts (ISAs) are not necessarily contractual and should be allocated to the lines most appropriate to the nature of the share account making up that part of the ISA.

C2.12 **Other:** any account not shown above

C3 **SHARES ANALYSIS**

Breaks down the balances shown in the final column of item C1 into shares held by individuals and shares held by others.

C3.1 **Shares held by individuals**

Individuals means a natural person.

C4 **LARGE SHARE AND DEPOSIT HOLDINGS**

C4.1 **Single holdings in excess of 0.25% of SDL (excluding accrued interest)**

This item, exceptionally, relates to both shares and deposits**.** It refers 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 shares, deposits and debt securities (SDL), where total SDL is the sum of balance sheet items as below:

(i) share liabilities excluding interest accrued (B1.1 + B1.2)

(ii) deposits and debt securities less interest accrued (B2.20 - B2.19 - B2.0(c))

This item relates to "large share and deposit holdings" as referred to in the Prudential Guidance on Financial Risk Management. [Chapter 4 of Volume 1 of the Interim Prudential Source Book ("IPSB") for Building Societies.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION D: DEPOSITS AND DEBT SECURITIES

D1. TOTAL DEPOSITS AND DEBT SECURITIES

Analyses the transactions between opening month and closing month balances but excluding accrued interest for 'Deposits from individuals' and 'Other deposits and debt securities'.

D2. COMMITTED FACILITIES

The sources of such facilities, divided between "banks" and "other sources", are individually considered in terms of:

(i) **maximum drawn down at any time during month**

Requires each end of day total drawn down balance position (ie the sum of positions on each line of committed facilities, eg from banks in the case of D2.1) to be established and the maximum of these daily amounts to be entered.

The maximum drawn down from "all sources" will not necessarily be the sum of the two component boxes in this column unless the maximum drawn down position in the month occurred on the same day for both D2.1 and D2.2.

(ii) **Position at end of month**

Analyses balances drawn and undrawn at the end of the month. The horizontal sum of balances drawn plus balances undrawn will be the total amount of committed facilities by source.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION E: LIQUID ASSETS

E1. REALISABLE WITHIN

This analyses the realisability of liquid assets **(NB now including accrued interest**) held at the end of the month into three time bands; those realisable up to and including 8 days, those up to and including three months, and those over three months. "Realisable" means the ability to translate the liquid asset into money (ie cash or in current account).

The columnar analysis categorises "realisable" in terms of balances outstanding at the end of the month according to the following breakdown:

(i) Balances at the end of the month: as per balance sheet

Show amounts in this column on the same basis as included in the balance sheet, but in table E include accrued interest along with each line item (in the balance sheet it appears as a separate amount).

(ii) Intermediate workings

The next 3 columns are designed to show the necessary intermediate steps before the amount of prudential liquidity can be derived in column 5. They implement the deductions and adjustments referred to in Chapter 5 of Volume 1 of the Interim Prudential Source Book (“IPSB”) for Building Societies.

Ineligible amounts (which only applies to the final rows) means the amount, if applicable, that represents liquid assets in the balance sheet which does not qualify as prudential liquidity (taking into account transitional provisions referred to in the P/G). When this is subtracted from column 1, giving the amount qualifying for prudential liquidity purposes, the result is shown in column 5.

Market value only applies to gilts, and means the market value at the month end, but before any discounting is applied.

Discounted value means the result of applying the following discount factors to the market values in the previous column according to **residual** maturity.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION E: LIQUID ASSETS (continued)

residual maturity	discount factor	multiplier
less than 1 year:	zero	1
1 to 5 years:	5%	0.95
over 5 years:	10%	0.90

The discounted value is the market value times the "multiplier" shown above.

(iii) **Amount of prudential liquidity**

For gilts, this is the total of discounted market values shown in the previous column.

For other line items, it is the value in column 1 less ineligible amounts shown in column 2.

E1.1 Realisable within "Up to 8 days"

Only include within this line item the following:

(i) cash; current account balances; Treasury, Local Authority and eligible bank bills;

(ii) deposits with local authorities, banks and building societies with not more than 8 days notice or within 8 days of maturity;

(iii) all gilt-edged securities; CDs (banks and building societies) with 3 months or less to maturity; and commercial paper with a residual maturity up to 1 month.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION E: LIQUID ASSETS (continued)

E2. AMOUNTS OF PRUDENTIAL LIQUIDITY AT ANY TIME DURING THE MONTH

This shows the minimum balance of total prudential liquidity (including accrued interest) held at any time during the month, and also the maximum total of building society holdings counting as prudential liquidity. "Any time" means based on end day positions. The percentage of total SDL should be based on estimated SDL on the relevant day, and where SDL is defined as:

a. share liabilities including accrued interest (B1.4)

b. deposits and debt securities including accrued interest (B2.20)

E3. BUILDING SOCIETY HOLDINGS

This shows a society's liquid asset holdings with all other societies in total. **The amount reported here should also include any undrawn committed facilities provided to societies. [NB: This disclosure is different to the basis used for reporting in line item E2.2 above which should reflect the maximum amount drawn]**.

This covers securities and other money market instruments issued by, and deposits placed with any other building society.

"Securities and other money market instruments" refers to all holdings of building society paper and follows the terminology used in the P/G on Liquidity.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOAN AND INVESTMENTS

F1-4 **LENDING: Categories**

For each category of loan assets, details are requested under various transaction columns that explain the transition from last month's balances to this month's balances.

F1-2 **LOANS FSRP AND LOANS FSOL**

Both categories of lending are split between individuals, housing associations, and other. "Individuals" comprise individuals, households and private trusts. "Other" includes loans to companies, unincorporated businesses, and non-profit-making bodies (except housing associations, which are included under "housing associations"), provided they are fully secured on residential property or on other land respectively.

F3 **OTHER LOANS TO CUSTOMERS: INDIVIDUALS** are split between bridging loans, personal loans, credit cards, overdrafts and other.

F4 **OTHER LOANS TO CUSTOMERS: OTHER** comprises loans not shown above and includes loan to businesses not FSRP or FSOL.

F5 **INVESTMENTS** is split between shares in, and certain loans to connected undertakings, (See G/N on item B7.4(ii)) and any other holdings of equities.

F1-5 **LENDING: Transactions (columns)**

Advances in month

should include:

(a) instalments released in the month for instalment advances.

(b) re-advances, ie where previous charge cancelled.

(c) further advances.

(d) mortgages transferred from one borrower to another [there should be a corresponding entry under "Repayment of principal" and "Repayment of interest" as appropriate]

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

(e) the deduction from advances made of advance cheques cancelled.

but should exclude:

(f) amount of any loan books acquired in the month [now reported in "other debits/credits etc"]

(g) retentions imposed, which should be included as they are released.

(h) sundry debits, ie any items not approved and not included in commitments eg insurance debits, fines, insurance guarantees (unless part of loan), valuation fees etc.

Interest earned in month

Is that amount of interest due to the society for the current month as determined by

(a) applying the rate(s) of interest prevailing (i.e. charged) during the month to mortgage balances at the end of the previous month (subject to any adjustments in respect of redemptions and new loans in the month) and multiplying by the appropriate fraction to convert the per annum rate(s) of interest to daily rate(s) and then multiplying by the number of days for which the rate(s) applied in the month, or

(b) such other methods as are normally used by the society, for example the "Rule of 78" or "sum of the digits" method sometimes used for unsecured personal loans.

Repayment of Principal

should include:

(a) repayment of principal including capital repayments, 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.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

but should exclude

d) amount of any loan book sold during the month [now 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.

Repayment of Interest

It is recognised that societies 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 (eg annual review or deferred interest schemes, or where a loan is not being fully serviced).

Amounts written off

Is the amount written off mortgage balances in the month (and off provisions charged to the income and expenditure account) and is to be on a basis consistent with amounts shown in the society'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; or

- a decision to write down the mortgage debt on a loan still on the books. This may arise where the society 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.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

Other debits/(credits) and transfers (net) includes:

a. Such items as insurance premium receipts, valuation fees, and fines etc.;

b. Mortgage balances acquired following a transfer of engagements;

c. Loan books acquired from other lenders in the month;

d. Loan books sold to other lenders in the month;

e. Loan books securitised during the month;

f. Transfers (net) should include loans which are reclassified under section 6B(7) of the 1986 Act (for example, where there has been a change in the use of the land on which the loan is secured to/from residential).

Societies are asked to take care in reporting transactions given the potential for distortion arising from the netting effect of compensating transactions (eg a loan book acquisition and a securitisation of similar values taking place in the same month).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

F6 LOANS: ANALYSIS OF REPAYMENT OF PRINCIPAL

It is recognised that where amounts repaid cover both principal and interest, that societies' analysis of repayment of principal may involve some degree of estimation.

"**On redemption**" includes amounts repaid on either premature or final redemptions. It should include payments made where the mortgage is essentially redeemed but where a nominal residual balance is retained on the account in order for the society to maintain safe keeping of the deeds (eg Deedcare schemes).

"Other repayment" includes all other irregular or lump sum payments, that is amounts in excess of regular repayment such as those on conventional mortgages (where regular or occasional overpayment may be made) and also those on flexible mortgages (when the repayment is in excess of the monthly amount due under normal commercial terms).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

F7 LOAN COMMITMENTS (columns)

Commitments made since end of previous month

should include:

(a) the aggregate of 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 months that have been cancelled in the current month.

(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, eg insurance guarantee premiums (unless additional to the loan), insurance of contents etc.

Cancellations in month

Includes (b), (c), (d) and (e) above.

F8 NUMBERS OF MORTGAGES OUTSTANDING

Gives the number of mortgages included in the balance sheet amounts for FSRP and FSOL loan assets. (Where multiple accounts exists on a single security these should be amalgamated).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

F**9** LOAN BOOK ACQUISITIONS/SALES AND LOANS SECURITISED

The "**transactions in the month**" columns are analyses of amounts already included within the "other debits/(credits) and transfers (net)" column of table F(1).

(*NB for books acquired and books sold, this represents a change in treatment from the previous MFS1 reporting which required them to be shown in gross advances and repayments of principal respectively):*

(i) "**books acquired**" represents balances on any relevant loan books acquired during the month from other lenders.

(ii) "**Books sold**" represents balances on any relevant loan book (ie parcel of loans) sold during the month to another lender.

(iii) "**loans securitised**" represents balances on any loans that the society (or subsidiary undertaking in the case of MFS2 reporting) has "securitised" in the month, where "securitised" has the same meaning as described in the Prudential Guidance on Securitisation [Chapter 10 of Volume 1 of the Interim Prudential Source Book ("IPSB") for Building Societies]. It includes balances on loans subject to securitisation transactions qualifying either for "linked presentation" or "derecognition" methods of accounting.

The final column "**balance at end month on loan assets subject to non-recourse funding**" represents all such loan assets (and not just the amount treated as transactions in the month), 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, under the "linked presentation" method of accounting, would be shown in a society's published or other balance sheet (but not Financial Services Authority returns) as X in the example below:

gross loan asset	=	X
less non-recourse funding	=	Y
net loan asset	=	X-Y

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION F: LOANS AND INVESTMENTS (continued)

In the Financial Services Authority's returns, it is only the net loan asset that is normally reported (eg in tables A, B, and in F(1)), but in the analysis here at F9, it is instead the gross loan asset at the end of the reporting month. Once securitised, it is recognised that end month 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).

F9.1 **Loans fully secured on residential property** is split between loans to individuals; housing associations and other and is a sub-analysis corresponding to line items F1.1 to F1.3 respectively in table F(1).

F9.2 **Other loans fully secured on land** is a sub-analysis the total of loans to individuals, housing associations and other loan and corresponds to line item F2.4 in table F(1).

F9.3 **Other loans to customers** is split between individuals and others and is a sub-analysis corresponding to line items F3.6 and F4.3 respectively in table F(1).

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION G: INTEREST RATES (Gross rates)

Basis

Interest rates in this table are **nominal rates**, and should ignore the effect of any interest rate swaps or other hedging contracts that might exist.

This provides an analysis of basic and weighted average interest rates for shares, deposits and debt securities, capital instruments, liquidity and loan assets. "Interest rates at end of month" (columns 4, 5, 6 and 7 of table G) means rates applying at least throughout the last day of the month, so societies should not use rates which only come into operation at the beginning of the next month. Points to note on specific columns are:

(1) **Balances at end month**

Include accrued interest (even though it is excluded when computing the weighted average rate)

The "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. For shares or deposits and debt securities also include any products with a "floored rate" (ie subject to a guaranteed minimum rate). For loans also include any products with a "capped rate" (ie subject to a guaranteed maximum rate) and any products that are "collared loans" (ie subject to a minimum and a maximum rate)

"**variable**" includes all other interest rate bases (ie other than those defined above as "fixed") applying to particular products, including those at one of the society's administered funding or lending rates; those linked to Libor, (or other market rate); those linked to an index (eg FTSE) etc. However if any such funding products are subject to a "floored rate" or any such loan products are subject to a "capped rate", then treat as "fixed".

(2) **Basic rate**

For loans fully secured on residential property to individuals, it is the society's basic rate applying to the majority (by value) of existing accounts in this category.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION G: INTEREST RATES (Gross rates)

(3) **Weighted average rates**

(a) Interest rates reported in Table G provide a broad indication of **market rates** as well as being a simple and necessarily crude measure of nominal interest rate margins. **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 (including any bonus element that the society is liable to pay) that apply to elements of this line item; then

(ii) for each separate nominal/quoted rate, multiply that rate by the amount of end month 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 end month balance in column 1 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. Details of "fixed" and "variable" are given in 1) above.

BUILDING SOCIETY: MONTHLY STATEMENT

SECTION G: INTEREST RATES (gross rates) (continued)

(b) Table C: For section C2 only

CAR or compounded annual rate basis for shares only, as set out in Section C2 of the return.

The formula for the CAR is:

$$CAR = 100 \times \{[(1 + \frac{\text{nominal rate}}{100 \times N}]^N - 1\}$$

where N is the number of compounding periods per annum (ie 2 if half yearly, 12 if monthly).

G1 SHARES

The rates shown in table G are all based on gross nominal rates including any bonus element which the society may be liable to pay and not the CAR (compounded annual rate) which is only required for section C2 of table C.

G2 DEPOSITS AND DEBT SECURITIES

Covers all deposits accepted by the society and debt securities issued (except qualifying subordinated debt which is covered under capital instruments).

G3 CAPITAL INSTRUMENTS

Refers to forms of capital that incur a liability to pay interest (eg PIBS and subordinated debt), and therefore excludes general reserves and revaluation reserves.

G4 LIQUIDITY

The nominal or flat yield should be used for interest rates on liquid assets.

G5 LOAN ASSETS

The interest rate to be used is the rate charged to the loan account, and in certain circumstances will differ from the interest rate "payable" by a borrower. These circumstances include deferred interest loans, interest roll up loans, and annual review schemes.

Advances in month refers to the same amount as covered under "advances in month" in the Loans and Investments table in Section F

APPENDICES TO NOTES ON FORM MFS1.

Classification of residence and institutional sectors

These appendices supplement the guidance notes to the MFS1 return [as well as the MFS1 Supplement and the QFS2 returns] by providing the detailed information needed to sectorise items on these returns.

All queries on **building societies, building society subsidiary undertakings and other connected undertakings of building societies** should be addressed to the Financial Risk Analysis and Monitoring Group, Financial Services Authority (telephone 020-7676-0630/0690).

Queries on these appendices, or suggestions for their clarification or improvement, should be addressed to the Monetary Statistics Division of the Bank of England (telephone 020-7601-3742); Threadneedle Street, London EC2R 8AH.

FSA MONITORING RETURNS: A SECTOR COMPONENTS MAPPING DOCUMENT

MFS1	MFS1 SUPPLEMENT	QFS2
A. U.K. banking sector	-	-
B. Building societies sector	-	-
C. UK public sector	-	-
D. Non-resident sector	-	-
E. Other UK sector (U.K. non-bank non-b/soc private sector)	1. MFI's other than banks and building societies.	Money market mutual funds [A1.0]
	2. Financial corporations other than MFI's.	*[A1.1 Financial Corporations]* i. Insurance companies [A1.1a] ii. Pension funds [A1.1.b] iii. Financial auxiliaries [A1.1c] iv. Financial U L partnerships [A1.1d] v. Other institutions [A1.1e]
	3. Non-financial corporations	*[A1.2 Non-financial Corporations*] i. Non-financial unlimited liability partnerships [A1.2a] ii. Other non-financial corporations [A1.2b]
	4. Households and individual trusts	i) Individuals and individual trusts [A1.3] ii) Unincorporated businesses.[A1.4]
	5. Non-profit institutions serving households	Non-profit institutions serving households [A1.5]

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY : MONTHLY SUPPLEMENTARY STATEMENT

MFS1 SUPPLEMENT

GUIDANCE NOTES

Sections

Introduction:	General notes on return
Sections B8-10:	Sectoral Analysis: Balance Sheet - Liabilities/Assets
Section B11:	Balance Sheet: Repo & Stocklending Analysis
Appendix A:	Sector mapping document

Submission of returns

This statement must be submitted by close on the 7th business day after the month end. It should only be completed by those societies required to complete the MFS1 return to the faster timetable.

BUILDING SOCIETY : MONTHLY SUPPLEMENTARY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

Following enactment of EU legislation, the UK, in concert with all other EU member states, have adopted the new scheme of sector classification as defined in the European System of National and Regional Accounts (abbreviated to "ESA 95"). The analyses set out in Forms B8-10 arise from these requirements.

2. Sector classification

The MFS1 guidance notes [Introduction 5 and 7] provide general information about the main institutional sectors. The supplementary return Forms B8-10 seeks a more detailed analysis of one of these sectors, namely, the "Other UK sector" (UK non-bank non-building society private sector). To enhance understanding of these analyses and to ensure consistency with corresponding data items in the QFS2 statement a 'sector mapping document' is attached as Appendix A.

Societies should refer to Appendix II to the main MFS1 Guidance Notes which gives fuller details of the sectoral classifications.

3. Accuracy

As the main purpose of the figures is to provide broadly accurate aggregates for the total of all societies, estimates of less precision than the data entered on the MFS1 return will be acceptable in compiling the component sectoral details required on the MFS1 Supplementary return.

However, societies are asked to advise the Financial Services Authority (the Financial Risk Analysis and Monitoring Unit) of any subsequently discovered errors resulting in changes of over £25 million.

BUILDING SOCIETY : MONTHLY SUPPLEMENTARY STATEMENT

SECTIONS B8-B10 : SECTORAL ANALYSIS: BALANCE SHEET - LIABILITIES/ASSETS

B25.1-B27.5 SECTOR INSTITUTIONS

The UK Sector is analysed here under five components as follows:

a. **MFI's other than banks and building societies**

this category comprises money market mutual funds only.

b. **Financial corporations other than MFI's**

this category comprises insurance companies, pension funds, financial auxiliaries and other institutions. Societies' subsidiary undertakings which fall within the 'other UK sector (eg a subsidiary undertaking doing lending within the UK) should be included here being part of the "other institutions" category.

c. **Non-financial corporations**

this effectively refers to industrial and commercial companies, that is, mainly ordinary plc's.

d. **Households and Individual trusts**

this category includes individuals and individual trusts as well as unincorporated businesses other than **unlimited liability partnerships.** It should be noted that unlimited liability partnerships are now part of the corporate sector (financial or non-financial).

e. **Non-profit institutions serving households** includes organisations such as the AA; non-profit making schools etc.

BUILDING SOCIETY : MONTHLY SUPPLEMENTARY STATEMENT

B28-30 REPO & STOCKLENDING ANALYSIS

Guidance on the completion of the Repo & Stocklending analysis (Form B.11) is provided in section B/6 of the MFS1 guidance notes.

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY: QUARTERLY STATEMENT

QFS1

GUIDANCE NOTES

Sections

Introduction:	General notes on the return
Section A:	Balance Sheet
Section B:	Income and Expenditure
Section C:	Income and Expenditure: Further analysis
Section D:	Capital Available: Own Funds
Section F:	Capital: Solvency Ratio
Section G:	Loans FSRP to individuals
Section H:	Loans: other FSRP and other FSOL
Section I:	All loans secured on land - further analysis
Section J:	Lending: Capitalisations and Sales
Section K:	Lending: Arrears analysis
Section L:	Exposure Analysis: Large exposures
Section M:	Maturity analysis
Section N:	Organisation
Section P:	Investments: By type of activity
Section X:	Summary of cross checks on the return
Section Y:	Checklist of line items routinely to be deducted

Submission of return This return must be sent by close on 18th business day after society's financial quarter end.

QFS1: INTRODUCTION/1

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

This section covers a number of points that have relevance across the return generally:

2) Building Societies Act 1986

3) Accounting conventions

4) Accuracy

5) Society, connected undertakings and group figures

6) Time horizons

7) Outturn information

8) Specific items:

   (i) positions to be reported gross
   (ii) accrued interest
   (iii) foreign currencies
   (iv) use of brackets (..) around figures

9) Building society mergers

10) Overseas subsidiary undertakings

11) Subsidiary undertakings: year ends

2. Building Societies Act 1986

Any reference to "the 1986 Act" is a reference to this legislation (as subsequently amended).

3. Accounting conventions

Unless advice is given to the contrary in these Guidance Notes, the return should be compiled using standard accounting practice and in accordance with accounts regulations made under the 1986 Act.

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

3. Accounting conventions (continued)

The return has been designed with the aim of harmonising line items wherever possible with those required under accounting regulations, and as used in societies' published and internal accounts. In many instances line items reflect the basis adopted in the 1998 accounting regulations.

4. Accuracy

It is expected that entries on the return will be actual values or in some cases close approximations established or drawn from the society's systems and prepared on the basis of being the best information in the time available for their compilation.

5. Society, Connected Undertakings and Group figures

Societies may hold investments in different types of undertakings.

The 1986 Act defines certain undertakings in which a society may have an interest as "connected undertakings", that is "subsidiary undertakings" and "associated undertakings". In addition to these however a society may also have "other participating interests" or hold "other equity shares" (that is non participating interests). These terms are amplified below:

Subsidiary undertakings: As defined in Companies Act 1985, section 258, which essentially means undertakings over which the society exercises control or dominant influence.

Participating interests: An interest held by a society in the shares of another undertaking which it holds on a long term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest. A holding of 20 per cent or more of the shares of an undertaking is presumed to be a participating interest unless the contrary has been agreed with the Financial Services Authority. (Full definition is that given in Companies Act 1985, section 260).

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5. Society, Connected Undertakings and Group figures (continued)

For the purposes of group figures the category "**participating interests"** sub-divides into:

> **Associated undertakings**: A participating interest in which the society exercises a significant influence over the operating and financial policy. (Full definition given in Companies Act 1985, schedule 4A paragraph 20).
>
> **Other participating interests**: A participating interest that does not fall to be included within the definition of an associated undertaking.

Other equity shares: These essentially refer to non-participating interests in other undertakings. They include any other investments which do not fall to be included within any definition above, such as trade investments (e.g. BACS, APACS etc) or other forms of equity holdings (e.g. XYZ plc).

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5. Society, Connected Undertakings and Group figures (continued)

The accounting treatment of these investments is best summarised. Reference to the table below should help societies to determine an acceptable and reasonable approach:

BALANCE SHEET		Society	Group
(a)	Subsidiary undertakings	Investment at cost less any permanent diminution in value	Full consolidation line by line.
(b)	Participating interests in:		
(b).1	Associated undertakings	Investment at cost less any permanent diminution in value.	Cost of investment and share of post acquisition retained reserves.
(b).2	Other participating interests	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.
(c)	Other equity investments	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.

Note: only one of (b)1 or (b)2 applies for each column.

INCOME AND EXPENDITURE ACCOUNT		Society	Group
(a)	Subsidiary undertakings	Dividend receivable	Full consolidation line by line.
(b)	Participating interests in:		
(b)1	Associated undertakings	Dividend receivable	Share of profits or losses.
(b)2	Other participating interests	Dividend receivable	Dividend receivable.
(c)	Other equity investments	Dividend receivable	Dividend receivable.

Note: only one of (b)1 or b)2 applies for each column.

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5(i) Society, subsidiary undertakings and Group (consolidated)

The quarterly return is designed to collect information in respect of the society itself, of the society's subsidiary undertakings and for the group (on a consolidated basis).

5(ii) Subsidiary undertakings

Columns headed "subsidiary undertakings" means the total in respect of all such bodies which are required to be fully consolidated in group accounts (e.g. published accounts)

5(iii) Group (consolidated)

Columns headed "Group (consolidated)" should be compiled on a basis equivalent to that used in preparing published Group figures. The figures under "Group" will not necessarily be the total of those under "society" and "subsidiary undertaking" because of consolidation adjustments.

6. Time horizons

The return seeks information in respect of 3 different time horizons as follows:

6(i) Latest quarter (LQE/YTD)

Where stock figures are required (e.g. balance sheet, capital position etc) the information is as at the "latest quarter end", abbreviated to **LQE**.

Where flow figures are required these are either for **3 months only** (i.e. the latest quarter) as in for example lending figures in table G and H, or **cumulative in the "year to date"**, abbreviated to **YTD** (e.g. income and expenditure table B etc), covering the period from the start of the society's financial year to the end of the reporting quarter.

For the society's financial year the four quarters are numbered Q1, Q2, Q3 and Q4. These will only coincide with calendar year quarters if the society's financial year end is 31 December, which means that Q4 is always for the end of the society's financial year.

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

6(ii) **Current financial year (CFYE/CFY)**

When the return is being completed at end Q1, Q2 or Q3, then current financial year is that same year. However at Q4, the "current financial year" refers to the year covering the 12 months immediately following Q4.

Where stock information is required at the current financial year end this is abbreviated to **CFYE**.

Where flow figures are required, covering the whole current financial year, this is abbreviated to **CFY**.

6(iii) **Next Financial Year (NFYE/NFY)**

This is always the 12 month period immediately following "current financial year" (defined above).

Abbreviations used in column headings for "next financial year" are NYFE (stocks), and NFY (flows).

7 **Outturn information** (Actual/Expected/Likely)

Information required in respect of the three different time horizons (described in 6) above) has the following meanings associated with "outturn":

7(i) **Actual** means as derived from the society's information system(s) within the time period allowed for its compilation and timely submission to the Financial Services Authority. It does not mean audited (Interim profits in table D is the one exception). In many cases the information will be substantially the same but there may be certain items that are not so readily available in which case close approximations should be provided, being prepared on the basis of being the best information in the time available for their compilation.

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

7(ii) **Expected** means the outturn figures that the society considers are the best estimate (at the time of their compilation) of how the full year will turn out. **It is anticipated that a society will be updating its view each quarter of how it sees the full year position**, and that whereas the basis of that estimate the first time it is compiled for CFY/CFYE (i.e. Q4) may well be a current "budget" figure, subsequent quarterly updates of the full year position will be revised estimates based on business experience in the year to date and an updated assessment of business expected to be undertaken in the remainder of the current year.

7(iii) **Likely** means the aim here is to get a reasonable assessment of the outturn for the next financial year (NFY). This assessment will first of all be given in the return at Q4, at which time the end of the NFY is 8 quarters away. At this stage a "reasonable assessment" of outturn may well be planning figures in the society's corporate plan or more recently decided budget figures. The source of figures for later **quarterly assessments of NFY** will depend on the society's arrangements for revising budgets, preparing projections/forecasts etc for future time periods, but the aim is to make use of the most recently compiled set of figures which provides a reasonable assessment of the likely outturn for NFY. The term "likely" is used since it will be a less firm basis than "expected" (for CFY) because of the longer time horizon involved.

8 **Specific items**

8(i) **Positions to be reported gross**

In general, liabilities and assets should be shown gross, and not netted 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 are subject to "linked presentation" under FRS5. 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 (e.g. F, G, H, I as relevant).

BUILDING SOCIETY: QUARTERLY STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

8(ii) Accrued interest

Accrued interest is identified explicitly in the monthly return MFS1, in the balance sheet under specific sub-heads. Analysis elsewhere on that return may require either the inclusion or exclusion of accrued interest, but this is indicated on the face of that return as appropriate. Where an item in the MFS1 (excluding accrued interest) is also analysed in QFS1 the same approach is used, for example in table M.

8(iii) Foreign currencies

Amounts in foreign currencies should be translated into their equivalent sterling value at the closing middle market spot rate on 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. Thus all entries in the form represent sterling amounts. Societies should apply the same accounting treatment as for the published accounts having regard to SSAP 20.

8(iv) Use of brackets (..) around figures

All amounts should be shown without brackets, that is shown as a positive amount, unless:

a) the amount is of the opposite sign to that expected

b) the entry could either be positive or negative: in which case the sub-heading should indicate which of the alternatives e.g. "profit/(loss)" is to be shown in brackets.

In any table where an item is routinely to be deducted (e.g. provisions in balance sheet and income and expenditure) the amount should **not** be shown in brackets. The **exception** would be if the value was of the opposite sign (i.e. negative) and required to be added not deducted, in which case brackets would be necessary. "Deducting" items are summarised in Section Y of these Notes.

BUILDING SOCIETY: QUARTERLY STATEMENT

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9 Building society mergers

When a merger of societies takes place, the quarterly return should be completed as follows:

transferring society: should always complete a "closing" return up to the date of the merger, with flow/transaction figures for the "latest quarter" covering the relevant period to the date of transfer, and balances as at the date of transfer;

accepting society: in completing its first quarterly return after the merger should include flow/transaction figures of the transferring society only from the date of merger. This return will of course show the balance sheet amounts in respect of the combined society.

10 Overseas subsidiary undertakings

Should be treated as they would for the purposes of the society's published accounts (e.g. attributing such overseas assets and liabilities to the relevant balance sheet items used in the Accounts Regs.)

11 Subsidiary undertakings: non-coterminous financial year ends

The basis of figures included in the return for subsidiary undertakings with the same financial year end as that for the society should be for the same 3 month periods as for those of the society.

However where a subsidiary undertaking's financial year end is non-coterminous with that of the society, the basis of the subsidiary's figures should be as follows:

a) data should relate to the same 3 months period as that applicable for the society; or

b) where a) would not match a quarter financial year of the subsidiary (e.g. where society's financial year end is say 31 January but subsidiary's is 31 December) and to extract data to match the society's 3 month period would be difficult, then data for the subsidiary may be based on its own quarterly period ending within - but not prior to - the society's 3 month period. This would result in the subsidiaries figures "lagging" by no more than 2 months in relation to those of the society.

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Whereas the Accounts Regulations permit a lag of up to 3 months in annual data, the more frequently collected quarterly data needs to be more time-relevant and, where possible, societies should provide information on subsidiaries for the society's actual quarter rather than lagged by up to 2 months.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION A: BALANCE SHEET

1. This is a summarised analysis of those balance sheet items given in the Monthly Statement (MFS1) with information being separately required for society, subsidiary undertakings and group (consolidated).

2. For definitions/notes on balance sheet items please refer to Notes for Guidance on MFS1.

3. Figures for "Society" and "Group (consolidated)" at LQE should be prepared on a basis consistent with that used for corresponding entries in the society's MFS1 return (Table A) for the month coincident with the quarter end. Because of the later preparation of the QFS1 it is possible that some societies will have firmer, more up to date figures, than those used in the MFS1. Accordingly the QFS1 should be compiled using these more accurate figures where these are available.

Statutory Percentages (Nature Limits)

The purpose of lines items A14 and A15 is to report the actual value at the quarter end (and the expected value for the current financial year end) of the statutorily defined percentages related to the funding and lending nature limits.

A14 **Value of funding percentage:** as defined in section 7(1), (2) and (3) of the 1986 Act this will give the percentage of total funding (i.e. all shares plus deposits & debt securities) accounted for by those elements of funding which are restricted (i.e. all funding apart from shares held by individuals). In the terminology of the 1986 Act the amount to be calculated is

$$\frac{X - Y}{X} * 100$$

where: Y is Shares held by individuals, and X is all shares plus all deposits & debts securities. As in the 1986 Act, Y should be the value on that day or on the immediately preceding quarter day, whichever is the greater. Both X and Y should be inclusive of accrued interest.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION A: BALANCE SHEET

A15 **Value of lending percentage**: as defined in section 6(1), (2) and (3) of the 1986 Act, this will give the percentage of "business assets" (see X below) accounted for by those "business assets" other than loans fully secured on residential property. In the terminology of the 1986 Act the amount to be calculated is

$$\frac{X - Y}{X} * 100$$

where: Y is loans fully secured on residential property, and X is defined as (total assets **less** fixed assets, liquid assets and long term insurance funds, **adding** back provisions for bad and doubtful debts). Both X and Y are inclusive of accrued interest.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION B: INCOME AND EXPENDITURE ACCOUNT

Items should be compiled on the same basis as specified in the Accounts Regulations [1998]. See also Guidance Notes on AFS1 (Table B).

B6.2 **Administrative Expenses: Other (inc. appointed agents)**

"Appointed agents" refers to those properly appointed by the society to act as its agent mainly for the purpose of obtaining retail funding or making loans.

The amount is the cost to the society of commissions (e.g. on shares or deposits from individuals) and any other payments made by the society to its appointed agents.

This amount is included within the **other expenses** sub-head of **Administrative Expenses** in published accounts under the Account Regulations and is shown similarly on the return.

B9 **Fixed asset write offs**

Includes amounts written off fixed asset investments (i.e. transferable securities held as financial fixed assets, participating interests and shares in subsidiary undertakings).

B10 **Other (please specify in a note)**

Includes exceptional items (unless already included within any other earlier item).

B15 **Extraordinary profit/(loss) after tax**

This is to be shown after deducting any relevant amount of extraordinary profit/(loss) attributable to minority interests.

B17-19 **Reconciliation of net Profit/(Loss) with changes in reserves**

The purpose of these items is to show the analysis of changes in reserves during the relevant period, and the reconciliation is

B19 must equal (B16 + B17 + B18)

"Reserves" has the same meaning as in the Accounts Regs and hence excludes revaluation reserves.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION B: INCOME AND EXPENDITURE ACCOUNT

B18 **Adjustments to reserves in period**

Refers to non income and expenditure account effects on reserves, that is for example on mergers etc.

In the case of columns for subsidiary undertakings, also use B18 to include dividends payable.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION C: INCOME AND EXPENDITURE ACCOUNT - Further Analysis

C1 **Other income and charges**

Line items C1.1 d) and C1.2 to C1.6 correspond with the same headings in the Accounts Regulations.

C1.1 **Fees and Commission receivable**

Is further analysed into "Life insurance & pensions", "general insurance" and "other".

C1.3 **Net profit/(loss) on financial operations**

The Accounts Regulations define this category as including:

(i) net profit or loss on transactions in securities which are not held as financial fixed assets (see Note below), that is on such liquid assets held as a trading book, together with amounts written off or written back arising from valuation differences between book value and market value;

(ii) net profit or loss on financial instruments (hedging instruments) except in so far as that income or charge is treatable as interest and included in interest receivable/payable (e.g. as may be the case for interest rate swaps).

Note: **"Financial fixed assets"** means securities held as fixed assets; participating interests and shareholdings in subsidiary undertakings should always be regarded as financial fixed assets.

"Fixed assets" means assets of a society which are intended for use on a continuing basis in the society's activities, and **"current assets"** means assets not intended for such use.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION C: INCOME AND EXPENDITURE ACCOUNT - Further Analysis

C2 **Impact of loan book acquisition and loan incentives/discounts**

This table analyses the impact on the Income & Expenditure account, and on the Balance Sheet, of the **gross** amounts (shown under "deductions from Own Funds") as follows:

(i) **premia** (i.e. the difference between the total cost of the acquisition and the book amount, in the books of the vendor, of the assets acquired) and/or other acquisition and set up costs paid on the acquisition of mortgage or other loan assets;

ii. amounts paid, by way of an up-front **incentive** to take out or retain a loan, which are being amortised over a number of accounting periods; and

iii. amounts relating to the amortisation of **discounts** offered on loans (i.e. balances created as a result of spreading interest receivable on a loan across a number of accounting periods).

C2.1/2 A distinction is drawn between two situations: where expenditure on any of the above is deferred (analysed in C2.1) and where expenditure is not deferred (shown in C2.2).

C2.2 In the case of **loan incentives where expenditure is not deferred**, the amounts shown here should include the cost of cash backs and of meeting any costs which in normal circumstances would be paid by the borrower e.g. legal costs, valuation or other costs.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION D: CAPITAL AVAILABLE : Own Funds

Introduction

This section and section F are based predominantly on the Prudential Guidance on Solvency (referred to below as P/G) and to a limited extent on the Prudential Guidance on Issued Capital (referred to below as such) contained in Volume 1 of the Interim Prudential Source Book ("IPSB") for Building Societies which together implement those parts of the Banking Consolidation Directive (2000/12/EC) which replaced the former EC Directives on a Solvency Ratio for Credit Institutions and on the Own Funds of Credit Institutions. These guidance notes should be read in conjunction with the Prudential Guidance.

However there are two specific concepts in the P/G that call for further advice. These are "**Solo consolidation**" (where a society's figures should in certain circumstances be aggregated with those for specific subsidiaries before reporting in "society" columns) and "**Exclusion from consolidation**" (where figures for certain undertakings such as a life insurance subsidiary should be excluded in the reporting of "Group" columns). A technical note on how they impact on tables D and F is included at section F/3.

D1-4 Capital available (own funds)

Sets out the individual components of capital permitted under the Banking Consolidation Directive (each of which should correspond by amount with the same headings in the balance sheet, except D2.1 - see below) and the separate deductions that should be made to arrive at qualifying capital. (See also relevant Annex of P/G).

TIER I CAPITAL

D1.1 Reserves at start of year

Reserves exclude revaluation reserves which are to be shown at D2.1

NB: In the case of a merger, reserves acquired on merger should be added in to opening reserves, and B17 should be similarly adjusted.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION D: CAPITAL AVAILABLE : Own Funds

D1.2 **Interim profits (since start of year)**

Interim profits refers to the cumulative amount covering either the financial year to end of latest quarter, or covering the whole of the current or next financial year.

In the case of interim profits covering the period from the start of the CFY to the end of the latest quarter (columns 1 and 4) such profits may only be shown if they have been verified by the society's external auditors. See also relevant Annex of P/G.

D1.3 **Overall losses in period**

This refers to any overall current year loss, which must be deducted. Only one of D1.2 or D1.3 will apply, but while there is an option to include interim profits (assumed positive) it is mandatory under the Banking Consolidation Directive to deduct interim losses (i.e. where the society or group is showing an overall loss).

D1.4 **Intangible fixed assets**

Should be deducted. It includes, for example, goodwill to the extent that it is already included in the balance sheet (and hence already included in reserves). See also fuller details for this item in the Accounts Regs.

D1.5/6 **Subscribed capital - deferred shares**

Covers deferred shares permitted as additional capital resources (at present, **Permanent Interest Bearing Shares - PIBS**, and existing **deferred shares** issued prior to 1 June 1991).

D1.7 **Minority interests (allowable)**

The Banking Consolidation Directive provides for the inclusion, subject to certain conditions, of **minority** interests in the calculation of the **consolidated** own funds of a society and its subsidiaries. (See section on Minority Interests in P/G for those which can be treated as Tier I)

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION D: CAPITAL AVAILABLE : Own Funds

TIER II CAPITAL

D2.1 Revaluation reserves (net)

Means revaluation reserves net of any foreseeable tax charge. Revaluation reserves should be included on the basis set out in the P/G.

D2.2 General provisions for bad debt

General provisions should be included on the basis set out in the relevant Annex of the P/G.

D2.3 Undated subordinated debt

As referred to in Issued Capital P/G.

D2.4 Term subordinated debt

As referred to in Issued Capital P/G.

D2.5 Other tier II

Any tier II capital resource that may be permitted in the future and which does not fall to be included under any of the above sub heads.

Also include here under "**group**" columns only, the amount of any allowable minority interests that count as Tier II.

D2.7 Amounts in excess of Tier II limits

These amounts not qualifying as capital are calculated in respect of two limitations on the extent to which certain items can be taken into account:

(i) The total of all Tier II capital resources taken into account must not exceed the total of Tier I constituents (i.e. reserves, interim profits, PIBS and other deferred shares), less intangible fixed assets; and

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION D: CAPITAL AVAILABLE : Own Funds

(ii) Term subordinated debt may not count to an amount in excess of 50% of the (total of Tier I constituents [i.e. reserves, interim profits, PIBS and other deferred shares], less intangible fixed assets).

D3 Deductions from Tier I and Tier II

D3.1 Deductions not shown elsewhere

Deduct all holdings of capital instruments of other credit or financial institutions, CFIs. (See Annex of P/G for fuller definitions). This means holdings of share capital in a society's connected undertakings. For society columns it is any such holdings in CFIs; for Group columns only include holdings in such bodies that are not consolidated in Group figures.

Also include deductions (described in P/G) in respect of the following: life and general insurance companies, mortgage indemnity insurance captives, securitisations, etc.

D3.2 Capital deficits in subsidiary undertakings

By **Capital deficit** is meant the excess (if any) of a subsidiary undertaking's liabilities over its assets, that is the net amount of capital (made up of retained profits and issues of capital) is negative. However, if the society has already excluded (that is made a provision for) the amount of any such capital deficit in a subsidiary undertaking (or undertakings) from the society's own reserves then it is not necessary to also include such an amount at line D3.2.

For these purposes capital deficits in subsidiary undertakings should represent the aggregate of all such capital deficits, but should not be offset by any capital surpluses in other subsidiary undertakings.

The amount of the capital deficit of any subsidiary undertaking with such a deficit should be deducted (for society only calculations); and

The proportion attributable to outside minority interests in the capital deficit of any subsidiary undertaking with such a deficit should be deducted (for consolidated calculations).

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION F: CAPITAL: Solvency Ratio

This sets out the components required for calculation of the solvency ratio in accordance with the EC Banking Consolidation Directive. Details of individual components are given in the Prudential Guidance on Solvency (referred to below as the P/G).

However there are two specific concepts in the P/G that call for further guidance. These are "**Solo consolidation**" (where a society's figures should in certain circumstances be aggregated with those for specific subsidiaries before reporting in "society" columns) and "**Exclusion from consolidation**" (where figures for certain undertakings such as a life insurance subsidiary should be excluded in the reporting of "Group" columns). A technical note on how they impact on tables D and F is included at section F/3.

On balance sheet items

Details of risk asset weights are given in an Annex of the P/G.

All loan asset balances in table F should be shown net of specific provisions (see below).

F2 **Loan assets** are sub-divided into three distinct categories:

i. Loans fully secured on residential property (FSRP), with amounts shown separately for weights of 50% (e.g. to individuals on owner-occupied property, loans to individuals on buy to let mortgages, to housing associations), and 100% (e.g. loans to corporates)

ii. Other loans fully secured on land (FSOL) with amounts again shown separately for weights of 50% (e.g. pre-existing loans to housing associations), 100% (e.g. to corporates and others where not on residential property)

iii. Other loans to customers covering consumer credit to individuals and other loans (not secured on land) to businesses etc.

NB : Line items F2.2 and F2.3 of the QFS1 return (i.e. loans weighted at 60% and 75% respectively) should be left blank as they no longer apply.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION F: CAPITAL: Solvency Ratio

Off balance sheet items

The treatment of off balance sheet items is described in the P/G.

The treatment of **mortgage commitments** as falling within either F6.4 (medium risk) or F6.6 (low risk) depends on the conditions of mortgage offer letters. Offers (deemed to be commitments) are classified under the 50% medium risk category providing that the letters make no statement to the effect that the offer can be unconditionally withdrawn by the society without notice. Otherwise offers attract a low risk weighting of zero percent.

Columns **Asset amount and Weighted amounts**

Columns headed **"asset amount"** should show the nominal asset figures (including accrued interest). For "on balance sheet" items totals of relevant categories (e.g. liquid assets) should agree with amounts shown in the balance sheet table A (except in the case of loan assets, where balances should be shown after the deduction of specific provisions), unless of course "solo consolidation" or "exclusion from consolidation" applies to table F. For "off balance sheet" items the nominal asset amount is the amount of principal involved (which in the case of F6.3 to F6.6 is the amount prior to the application of any credit conversion factor).

Columns headed **"weighted amounts"** should show figures arrived at after completing the relevant stages described in, and shown in the examples in, the P/G.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION F: SOLO CONSOLIDATION & EXCLUSION FROM CONSOLIDATION

Solo Consolidation

Only tables D and F of QFS1 are affected by solo consolidation.

Table D The **society** columns (1 to 3) should be compiled as follows:

(i) for each line item in turn, the amount entered in D1.1 to D4 on the return should be the sum of:

a. the "society only" figure for that line item, plus

b. a percentage of the individual subsidiary undertaking figure for that line item,

c. minus, the amount of any of the subsidiary undertaking's own funds included in (b) which represents an investment by the society (being the consolidation adjustment)

(ii) the percentage in (i)(b) will either be 100%, or such lower amount that results after applying the deduction specified by the society's Supervisor when agreement is given for the subsidiary to be solo-consolidated.

Table F The **society** columns (1 to 4) should be compiled as follows:

(i) for each line item in turn, the amount entered in F1.1 to F6.7 should be the net result of a), b) and c):

a. the "society only" figure for that line item, plus,

b. the full amount (i.e. without deduction) in respect of that subsidiary undertaking,

c. minus the amount of any of the society's or subsidiary undertaking's assets that represent investment in or loans to the other party.

(ii) the solvency ratio then follows, using the solo-consolidated figures in tables D and F.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION F: CAPITAL: Solvency Ratio

Exclusion from Consolidation

Only tables D and F of QFS1 are affected by the exclusion from consolidation of a life or general insurance company (or other undertaking agreed with the Financial Services Authority).

Details of the adjustments for "**society**", and "**group**" columns are:

Society Columns

Table F (i) in **table F**, deduct from the "asset amount" column the carrying value of the society's investment (see note (a)) in the undertaking being excluded from the consolidation. This deduction will apply to other assets (F4.3). The "weighted amount" columns will need to be calculated after the deduction has been made from column 1 (and from equivalent "asset amount" figures used in the derivation of "weighted amounts" for CFYE and NFYE columns); and

Table D (ii) in **table D**, deduct from the society's own funds the same amount deducted from table F (as described above). This amount should be included in line D3.1 Deductions not shown elsewhere.

Note (a) In the case of an intermediate holding company, it is the holding company's investment in ....

Group (Consolidated) Columns

Table F (i) in **table F**, the starting point is notional group (consolidated) figures which include the undertaking to be excluded from the consolidation. The effects of "exclusion from consolidation" in respect of the particular undertaking concerned are then achieved by:

a. for each line item in turn (F1.1 to F6.7), deducting from the "asset amount" and "weighted amount" columns the relevant amounts attributable to the undertaking being excluded.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION F: CAPITAL: Solvency Ratio

Group (Consolidated) Columns (continued)

Table D (ii) in **table D**, the starting point is notional group (consolidated) figures which include the undertaking to be excluded from the consolidation. From these figures:

a. for each line item in turn (D1.1 to D4) deduct the relevant amounts attributable to the undertaking being excluded, except where any such amount relates to an investment by the parent society (that is capital other than reserves, since this will already have been eliminated in compiling notional group consolidated figures),

b. deduct from group reserves (at D1.1) the amount of any embedded value included in respect of a life company.

NB: the above treatment for **group columns** in tables D and F is **not** the same as compiling group (consolidated) figures for the society and all consolidatable undertakings other than the undertaking being excluded from the consolidation (which would give a different treatment in respect of the society's investment in, and loans to, the undertaking being excluded from the consolidation).

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

Introduction

Loans and advances to customers are analysed as follows in tables G to K:

Lending category	Table in QFS1
Loans fully secured on residential property (FSRP):	
To individuals	G(1), G(2), I, J, K(1), K(2)
To housing associations	
To others	Loans in these 5 lines have been combined together as "Loans: other FSRP + other FSOL" in tables H, I, J, K(1), K(2)
Other loans fully secured on land (FSOL):	
To individuals	
To housing associations	
To others	
Other loans to customers:	J, K(1), K(2)
To individuals	
To others	

The focus on "Loans FSRP to individuals", as opposed to the wider category of "All loans FSRP" (which includes to housing associations and corporates etc) is deliberate. The nature of the market, the lending products and volumes involved, and the risk profile of "loans FSRP to individuals" are considered to be sufficiently distinct as to merit separate analysis. This category is the dominant element of total lending, in the same way that class 1 loans were dominant among commercial assets under classifications used prior to late 1998, and also happens to cover broadly the same range of loans as old class 1 (the category is marginally wider).

Gross advances in quarter

Covers actual advances made in the quarter. For these purposes separate advances (e.g. stage payments) on the same mortgage should count as a single advance for the "number" column.

NB: "gross advances" should be compiled on the same basis as for the MFS1/2, and accordingly exclude any mortgage book acquisitions in the quarter.

G1 Type [NB: "By Type" analysis no longer required –Paragraphs G.1.1 to G1.4 deleted]

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

G2 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 G2.1 - 2.6. A stage advance should be classified for the same purpose as the main advance.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

G2.1/2 House purchase

Loans where the borrower is purchasing a house (or flat etc). 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").

G2.3 Further advance

A further loan (either as a normal further advance, or as a second charge loan where the society has the first charge) to an existing borrower of the society, 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, or as a consumer loan fully secured on residential property.)

G2.4/5 Remortgage

Loans where the borrower is not moving house but is refinancing an existing loan, either one already with the society or one from another lender. The whole amount of the new advance should be classified as 'remortgage' even if it is larger than the existing loan.

G2.6 Other

Would include for example where a borrower is not moving house but takes a loan on the security of his previously unmortgaged property.

G3 By Income Multiple and LTV

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)**.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

G3 **By Income Multiple and LTV (continued)**

Income multiple based on single or joint incomes

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 society takes such additional income into account in whole or in part).

(ii) **joint income basis.** This means that two 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 borrowers.

G3.4 In the following cases, irrespective of whether it is a single or joint application, the advance should be allocated to the highest single income multiple (i.e. line G3.4: income multiples of 3.5 or more):

(i) where income is not known, or

(ii) where the loan application fails the "status confirmed" test (see P/G on Solvency) **and** there is no documentary evidence of income.

For the purpose of income multiples, the multiple is of loan to income where loan is as defined below.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

G3 **By Income Multiple and LTV (continued)**

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 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, 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.) In the case of staged construction or self-build schemes, valuation means "expected final value of the property" at the time the society is committed to making the loan (i.e. takes the lending decision).

G4 **Insured exposure above 75% LTV**

Is an analysis of amount shown in G3.11 columns 2-4 and 6-8.

G4.1 **Amount of advances representing the excess above 75% valuation**

Advances refers to those included in the same column of line item G3.11.

The amount of the advance required is the total for each such loan of:

amount of advance - 75% valuation

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION G: LOANS FSRP TO INDIVIDUALS

G4.2 **Amount of this excess covered by insurance**

Is that part of the amount in G4.1 which is covered by insurance taken out by the society (i.e. mortgage indemnity cover) either with its own insurance captive or a third party insurer.

In respect of an individual loan, the amount shown under G4.2 will be less than or equal to (but not greater than) the amount of the excess above 75% valuation included under G4.1.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION H: LOANS: OTHER FSRP + OTHER FSOL

Introduction

This table covers all loans fully secured on land apart from those loans included in table G (i.e. loans FSRP to individuals). See also the introduction to table G.

H1 **Type of Property**

This analysis is to identify the type of property on which the advance is secured.

When classifying a loan, other than to a housing association, to one of the other **types of property** a practical and commonsense approach should be adopted where the characteristics of the property appear to give rise to a choice of property type. This will usually involve a situation where the property is being used for more than one purpose, for example multiple storeys given over to say a mix of business/living accommodation/or business/living accommodation/residential letting.

The loan should be classified according to the majority or main use and if it is not obvious then consider floor area or if this does not help (for example equal amounts given over to different uses) then allocate on main source of income from the property.

"Development" means the loan is for building new or refurbishing existing property whether for ultimate sale or rental.

"Investment" means the loan is on property which is to be let.

H1.1 **"Housing association"** covers those registered and unregistered.

H1.2-4 **"Residential"** excludes all loans to housing associations, and means where the property is, or will be used for, wholly or mainly residential purposes. It includes houses, flats and sheltered accommodation.

H1.5-7 **"Commercial"** includes industrial and covers all property not allocated to one of the above categories, including retail shop, office, professional business use (e.g. accountants/lawyers), or manufacturing or other industrial premises.

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SECTION H: LOANS: OTHER FSRP + OTHER FSOL

Balance outstanding at LQE (columns 3 and 6)

It is recognised that societies may need to use some degree of estimation in compiling the analysis of balance outstanding.

H2 By size and LTV

Each advance in the quarter should be classified by size and loan to valuation ratio (LTV) as follows:

(i) **Size** is to be taken as the total balance outstanding on the loan at the end of the quarter together with any unused drawing facilities and the total of any instalments/stage payments/retentions which the society is committed to making based on the most recent valuation. In this way successive stage payments/instalments arising out of the same lending commitment decision will be classified to the same cell in the table.

(ii) **Valuation** is the most recent valuation of the property/security used when assessing the amount of the society's commitment.

If a later stage payment is conditional on a revised valuation then the amount of the stage payment on that later return will probably be allocated to a cell with a higher size category and possibly, but not necessarily, to a higher LTV category since the total commitment will have increased, and possibly the valuation also.

(iii) the amount of advance included in a cell will be the actual amount advanced in the quarter, and when more than one advance on a loan takes place in the quarter they should be amalgamated.

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SECTION I: ALL LOANS FULLY SECURED ON LAND - Further Analysis

This table covers all loans FSRP and other loans FSOL, but with the analysis divided into two sub sections: I1 Loans FSRP to individuals only, and I2 Other FSRP loans and other FSOL.

Lending in quarter [columns 1-3, and 5-7]

The three types of information are as follows:

(i) **gross advances** refers to advances on the same basis as reported in the relevant parts of table G(1) or H as applicable (although clearly totals will not agree).

(ii) "**other advances**" refers to advances which have not been reported in gross advances but where, during the quarter, an existing loan has:

a. switched from being on a variable rate interest rate basis to either a fixed or capped rate basis [I1.1, 1.2 and I2.1, 2.2]

b. changed from being on one fixed or capped rate basis to a new fixed or capped rate [I1.1, 1.2 and I2.1, 2.2]

c. switched from being at the standard variable rate of interest to a discounted rate basis [I1.5 and I2.5]

d. changed from being on one discounted rate to a new discounted rate, irrespective of whether the new rate is lower or higher than the previous discounted rate [I1.5 and I2.5].

(iii) **total "advances"** is the sum of (i) and (ii) above.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION I: ALL LOANS FULLY SECURED ON LAND - Further Analysis

Fixed and capped lending

I1.1/2.1 **Fixed rate loans** refers to loans where the interest rate is fixed for a stated period. It also includes "collared" loans (where the loan is subject to a minimum **and** maximum rate). Exclude however annual review or stabilised payment loans (since the purpose is merely to smooth cash flow on variable rate loans).

I1.2/2.2 **Capped rate loans** refers to loans, other than fixed rate, where there is an upper limit on the interest rate payable but where the rate may vary below that limit.

I1.4/2.4 **Weighted average residual maturity to end of fixed/capped period** is described in steps (a) to (c) below, and

where: **residual maturity** on a loan is the period from the quarter end to the end of the fixed/capped period, expressed in years to a minimum of 2 decimal places (e.g. a residual fixed rate period of 2 years 7 months is 2.58 years etc).

(a) for each fixed/capped loan (included in the box above this line on the return), multiply size of loan (£) by residual maturity (years).

(b) add up the result in (a) for all fixed/capped loans in the box concerned.

(c) divide the sum in (b) by the total of fixed/capped loans (£) in the box concerned.

I1.5/2.5 **Discounted variable rate loans**

Refers to variable rate loans where the rate is at a discount to the society's standard variable rate (the "basic rate" on loans FSRP to individuals defined in MFS1 table G). This also includes:

(i) loans to long-standing borrowers as part of a loyalty scheme which gives discounts off the society's standard variable rate.

(ii) loans as in (i) but where the discount is applied retrospectively. E.g. once a year eligible borrowers may receive a discount, of say ½%, in the form of an interest credit depending on a satisfactory payment record in the previous 12 months. Since not all eligible borrowers

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SECTION I: ALL LOANS FULLY SECURED ON LAND - Further Analysis

will necessarily qualify for this type of discount, the £ amounts reported should be calculated after applying the estimated percentage who are likely to qualify to the total £ amounts of eligible loans. If this percentage is not known, or cannot readily be estimated then assume 100%.

(iii) any staff loans that are at a discount to the society's standard variable rate.

I1.6-8 & I2.6-8 The **three weighted average quantities**, which all make use of the residual maturity of the discounted loan, are described at (i) to (iii) below, and

where: **residual maturity** on a loan is the period from the quarter end to the end of the discount period, expressed in years to a minimum of 2 decimal places (e.g. a residual discount period of 3 years 5 months is 3.42 years).

The **discount period** on loans to long-standing borrowers as part of a loyalty scheme should be taken as the shorter of:

a. 5 years from the quarter end (this is intended as a proxy for the expected residual maturity of such a loan, recognising that since few loans survive the full term (e.g. 10, 15, 20 or 25 years) it would be inappropriate to take the remaining period of the notional term as the length of the discount period); or

b. the period from the quarter end to any such later date as to which the borrower has formally been advised (either at the time of becoming eligible for the discount or subsequently) that the loyalty discount will cease.

NB: In cases where it is the society's practice to review periodically (annually or otherwise) the continued existence of a loyalty scheme, this should not be taken to imply that the discount period is at most the period between periodic reviews. Many societies regard the

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loyalty scheme as being a long term commitment even if it is reviewed periodically. It is felt therefore that it is more realistic to use 5 years (as in a)), rather than say 1 year (period between annual reviews) as the discount period. However, if the review triggers cessation of the scheme then clearly b) above would apply.

The **discount period on staff loans** should be calculated in the same way as above.

and: **percentage discount** is the difference between the society's standard variable rate of interest (see above) and the rate of interest payable on the discounted loan at the reporting date e.g. if standard variable rate is 8.7% and the discounted rate is 6.2%, the percentage discount is 2.5%.

I1.6/2.6 (i) **weighted average: residual maturity**

(a) *for each discounted loan (included in the box above this line on the return), **multiply** size of loan (£) **by** residual maturity (years)*

(b) *add up the result in (a) for all discounted loans in the box concerned*

(c) *divide the sum in (b) by the total of discounted loans (£) in the box concerned*

I1.7/2.7 (ii) **weighted average: cumulative discount**

(a) *for each discounted loan (shown in the box above this line on the return) **multiply** size of loan (£) **by** percentage discount (%) **by** residual maturity (years)*

(b) *add up the result in (a) for all discounted loans in the box concerned*

(c) *divide the sum in (b) by the total of all discounted loans (£) in the box concerned.*

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I1.8/2.8 (iii) **weighted average: nominal discount per annum**

(a) *for each discounted loan (shown in the box above this line on the return)* ***multiply*** *size of loan (£)* ***by*** *percentage discount (%)* ***by*** *residual maturity (years) [****NB:*** *this is the same as (ii)(a)].*

(b) *add up the result in (a) for all discounted loans in the box concerned*

(c) *for each discounted loan (included in the box above this line on the return),* ***multiply*** *size of loan (£)* ***by*** *residual maturity (years) [****NB:*** *this is the same as in (i)(a)]*

(d) *add up the result in (c) for all discounted loans in the box concerned*

(e) *divide the sum in (b) by the sum in (d).*

Example To illustrate the calculations involved in the three weighted averages a **worked example** follows:

Discounted loans: worked example of weighted rates (for 3 loans)

Loan Size £000	Discount period	Percentage discount	Products as used in the calculation for: Residual maturity (£ x yrs)	Cumulative/Nominal discount (£ x % x yrs)
5	4 yrs	2%	20	40
10	2 yrs	3%	20	60
15	1 yr	5%	15	75
30 (= 'A')			55 (='B')	175 (='C')

Weighted averages (using totals A, B and C are):

Residual maturity	=	B/A	=	55/30	=	1.83 years
Cumulative discount	=	C/A	=	175/30	=	5.83%
Nominal discount p.a.	=	C/B	=	175/55	=	3.18%

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SECTION J: LENDING- Capitalisations and Sales

Number of loans/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 loans at the end of the period in J1, and details of arrears cases in J2 and J3.

Balance outstanding

In J1.2 this means the same basis as presented in the balance sheet.

However, in J2.3 and J3.2 it is as defined in section K/1 paragraph 1.1 (including in the case of J3 the costs of sale where these have been debited to the borrower's account).

J2 Capitalisation of arrears cases in period

Details should be given in respect of those cases which, having previously been in 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 table K. See paragraph 3 of section K of the guidance notes.

J3 Properties sold in period

Include in J3.1 and J3.2 **all** properties sold in the quarter irrespective of whether losses have occurred.

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SECTION K: LENDING - ARREARS ANALYSIS

NB: Guidance notes for table K(1) also apply to similar items on table K(2).

K1 & K2 **Arrears categorisation by type of loan**

For these sections, the analysis of lending is divided into two main types:

(i) loans fully secured on residential property to individuals;

(ii) all other loans fully secured on land (that is, other loans fully secured on residential property, and other loans fully secured on land).

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 are given below:

K1.5 & K2.5 **In possession**: include here cases where the property is taken in possession (through any method e.g. voluntary surrender, court order etc); and particularly for development loans also include cases 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 comprises 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

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

and is intended to be consistent with the basis used for presentation of balances outstanding shown in the balance sheet section of the return, with the addition for table K 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 society, including capital, interest, or fees, fines, administrative charges, penalty interest and 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 include accrued interest only up to the reporting date but not beyond, and for example only include a proportion of any annual insurance premium if the society permits such amounts to be paid in periodic instalments.

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 society. 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.

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2.5 Where a society 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) and 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 K1.5 or K2.5. (See notes on K1.5/K2.5 at beginning of Section K).

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"** is meant 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".

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SECTION K: LENDING - ARREARS ANALYSIS

3.2 The decision to "capitalise" (or treat as if capitalised) is a business decision between the society and the borrower. However for the purposes of consistency in reporting arrears cases in table K (and reporting capitalisations in table J) the following **reporting criteria** should be used where a society 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 table K 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 K, 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 society and any penalty 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 society 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 K

(iii) arrears cases qualifying as "fully performing" in (ii) **should then be omitted from table K**, and should then be reported in table J (at section J2) for the same reporting period during which the removal occurs.

(iv) as regards capitalisation in relation to unsecured lending to individuals (consumer lending recorded in K3.1), with the possible exception of personal loans, it is not expected that the concept of capitalisation will generally be applicable.

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SECTION K: LENDING - ARREARS ANALYSIS

4. Cases entering higher (i.e. more serious) arrears band in quarter (columns 1 to 3)

Refers to those cases now included in a particular arrears banding which were 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. For example against K1.1 entries under this heading will show cases now "2.5 < 5%" (i.e. 2.5 or less than 5%) in arrears that were previously excluded from the arrears table being less than 2.5% in arrears, and K1.5 (and K2.5) will show details of those cases taken into possession during the quarter. Cases which have improved during the quarter by now being classified to a less severe arrears band should not be included in these 3 columns.

5. Performance of current arrears cases (column 7)

5.1 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 last 3 months. 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 "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 month by applying one twelfth of the annual interest rate to the appropriate balance outstanding), and

where "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

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SECTION K: LENDING - ARREARS ANALYSIS

otherwise have the effect of compensating for underpayment on other arrears cases and, as a result, give an overstated performance measure.

5.2 The amount to be entered on the return is a percentage to 2 decimal places and omitting the % sign.

5.3 In calculating the performance measure on possession cases (K1.5 and K2.5), the following points are relevant:

(i) "payments received": in many cases these may well 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 borrowers account, then the "payments due" should be calculated as three months interest at normal commercial rates of interest;

(iii) however, in K1.5 and K2.5, 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 K1.6 and K2.6.

5.4 The overall measures of performance at K1.6 includes possessions, and is the ratio of:

(i) "payments received" on all cases in K1.1 to K1.5

(ii) "payments due" on all cases in K1.1 to K1.5

NB The same approach applies to K2.6

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SECTION K: LENDING - ARREARS ANALYSIS

K3.1 Other loans to customers: loans to individuals

Covers a subset of those loans included within QFS1 line item A9.4 (but analysed fully within MFS1 line items F3.1 -3.6) i.e. bridging loans, personal loans, credit cards, overdrafts and any other such lending to individuals.

These loans to individuals differ significantly in nature from mortgage loans, particularly as regards interest rates, repayment periods and the extent to which the advance is fixed (e.g. bridging and personal loans) or elastic (e.g. credit cards and overdrafts). As a consequence, the trigger points for reporting arrears cases are not defined in the same way as for mortgage loans.

For the purposes of this arrears analysis, the criteria for inclusion as an arrears case at the end of the quarter are as follows:

(i) **Personal loans**

These should be included where the amount of unpaid repayments (that are actually due by the reporting date) is greater than or equal to 3 times the current monthly contractual repayment expected;

In the case of "negative equity" loans (i.e. that part of a loan on land that is not fully secured, and which is therefore treated as a personal unsecured loan), arrears reporting here should be based on the same 2.5% criterion as used for loans fully secured on residential property.

(ii) **Bridging loans**

Those subject to scheduled repayments during the period of the loan should be treated as for personal loans.

Those not subject to scheduled repayments, that is those where interest is added to the account and repaid only when the loan is redeemed, will in general not give rise to an "arrears situation". However there may be circumstances when, even though scheduled repayments are not required, the loan is in default of the terms of the loan agreement. For example, it may have been a condition of the loan that the accumulated debt would

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(ii) **Bridging loans (**continued)

not exceed a specified limit or that the loan would be redeemed within a stated period. In these circumstances the amount of debt in excess of such a pre-set limit should be treated as **arrears** (or the whole amount if no limit has been pre-set).

If for any reason, the property on which the loan is secured is taken into possession then the loan should be included in columns 4 and 6 (even if there are deemed to be no "arrears").

(iii) **Overdrafts**

Authorised overdrafts will normally have an overdraft limit pre-set by the society and communicated to the customer. Those accounts where the borrower has exceeded an overdraft limit should be treated as being in arrears, with the amount of arrears being the excess over the pre-set overdraft limit.

Unauthorised overdrafts are those which arise on accounts that, at the time, had no agreed pre-set overdraft limit (e.g. on certain cheque or current accounts), of which the customer had been made aware. In such cases the amount of arrears will be the total amount of the overdraft. Where societies operate a policy of allowing an account (on which there is no authorised overdraft) to become overdrawn up to an administrative limit before refusing to accept cheques, standing orders, direct debits etc, but without advising this limit to the customer, this administrative limit should be disregarded for arrears reporting purposes, and the total amount of the overdraft reported as arrears. If, subsequently, arrangements are made with the borrower for an authorised overdraft then the account should be treated as for authorised overdrafts above;

(iv) **Credit cards/budget plans/revolving credit agreements**

The lender will normally establish a pre-set credit limit for each borrower.

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SECTION K: LENDING - ARREARS ANALYSIS

(iv) **Credit cards/budget plans/revolving credit agreements** (continued)

Loans where the debt (i.e. balance outstanding) exceeds the pre-set credit limit should be treated as an arrears case, with the amount of arrears being the excess of the balance outstanding over the credit limit.

Where a loan is operating within a credit limit, the criterion for being treated as an arrears case is whether the minimum monthly contractual repayments are being made. If the borrower fails for three months to meet in full the minimum monthly contractual repayment then the loan should be shown as being in arrears, with the amount of arrears taken as the latest calculated minimum contractual repayment (which should include previous under payments).

(v) **"Contractual repayments"/"pre-set limits"**

For the purposes of (i) to (iv) above, these terms are subject to the following points:

Contractual repayments: is a reference to an amount determined on a normal commercial basis fully to service the balance outstanding, and not to any lesser amount which may be the subject of agreed arrangements with the borrower.

Pre-set limit: is the credit limit in operation on the account at the end of the quarter, and is to be used in establishing the amount, if any, of arrears at the reporting date.

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SECTION K: LENDING - ARREARS ANALYSIS

K3.2 Other loans to customers: loans to others

This type of lending is likely to be predominantly to business customers. In a number of instances, such lending may have similar characteristics to loans to individuals in K3.1 and accordingly the same criteria can be used in assessing whether a particular loan is in arrears and if so by an amount that qualifies for being included in K3.2.

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SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

The notes below should be read in conjunction with the Prudential Guidance on Large Exposures contained in Chapter 7 of Volume 1 of the Interim Prudential Sourcebook for building societies.

Because of the need for numerous references to "subsidiary undertaking" in this section, for convenience the term has been abbreviated to "subsidiary" throughout.

1. Basis for reporting Large Exposures on Table L

Supervised Group

(i) The reference in the table heading to **Group** refers to the **Supervised Group**. This term is defined in the P/G as meaning the society and those subsidiaries subject to consolidated supervision (i.e. those subsidiaries included in the Group (consolidated) solvency ratio calculation - see also Solvency P/G). In cases where a society has no subsidiaries, the Supervised Group is then the society.

Own Funds

(ii) The **measure of own funds** to be used in large exposure calculations is the **Group (consolidated) amount of Capital Available** at the quarter end as reported in table D, line item D4, column 4 (taking account of any exclusions from consolidation that may be required, as referred to in the Solvency P/G).

Types of counterparty

(iii) The Supervised Group may have **exposures** to **two types of counterparty**: those external to the Group, and those intra-Group, that is:

a. **exposure to an external counterparty** (or group of connected counterparties) which is not connected with the society or any member of the supervised group.

   In this case the **exposure of the supervised group** means the aggregate of all individual exposures of the society and any of its subsidiaries in the supervised group to that counterparty (or group of connected counterparties).

b. **intra-group exposure** to connected undertakings, which should be monitored as two separate categories as set out below.

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SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

Type of Counterparty (continued)

(iii) b. **intra-group exposures** (continued)

b.(1) exposures of the **society itself** to an individual subsidiary or sub group of subsidiaries (that is where a subsidiary has subsidiaries of its own) in the Supervised Group.

For reporting purposes the exposure to each single subsidiary (or sub group of subsidiaries) should be assessed in isolation and tested against the reporting criteria for large exposures (below). A large exposure (before exemptions) to a subsidiary which is subject to agreed solo-consolidation should also be reported (with the effect of the exemption resulting in a zero entry in the total exposure column).

Additionally, societies are asked to provide one extra line of information, being the sub-total of all "small" exposures to individual subsidiaries in the supervised group. Where the society has no large exposures to any subsidiary in the supervised group then this extra information will be the total of exposures to every subsidiary in the supervised group, otherwise it will be the total of non-large exposures. The counterparty column should be completed with the name "Small Exposures to Subsidiaries".

b.(2) exposures of the **supervised group** to counterparties connected with the society but outside of the supervised group.

Counterparties here includes any subsidiary not included in the supervised group (e.g. a Life Company) and any other relevant undertakings that are connected with the society.

Exposures of the society itself and those of individual subsidiaries in the supervised group to all such counterparties should be aggregated and the aggregate exposure tested for being a reportable large exposure.

Multi-Exposure

(iv) **An exposure to a counterparty** (or group of connected counterparties) is the **aggregate of all individual exposures** to that counterparty (and adding together different categories of exposure to the same counterparty e.g. loan asset, liquid asset, connected undertakings and other investments, and off-balance sheet).

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

Reportable Large Exposures

(v) The P/G requires **all exposures** (described above) **which are "large" (see (vi)) exposures to be reported on table L irrespective of whether the exposure is eligible for full or partial exemption**, and to give **two measures of the exposure**. These two measures are:

a. **Actual exposure** which is the amount of the exposure before the application of any full or partial exemptions (details of the full or partial exemptions are to be found in the P/G.

b. **Total exposure** which is the amount of exposure net of any full or partial exemptions.

Details of "**actual exposure**" and "**total exposure**" for different categories of exposure are given further on in these guidance notes at section 3(e) and (f).

Defining Reportable

(vi) In considering whether an exposure is a **reportable large exposure** the test is whether the **actual exposure** amount is 10% or more of **own funds** (as defined **in (ii) above**).

Taking account of exemptions

(vii) For each **reportable large exposure** (i.e. based on actual exposure as above) the return also asks for certain other information in order to establish the net effect of any full or partial exemption. This is established by means of information on:

a. the amount of **total exposure**, which is the amount after taking account of any full or partial exemption; and

b. whether the **total exposure** is a **qualifying** large exposure, that is the amount of **total exposure** is 10% or more of own funds. **Qualifying** is used in the sense that, after taking account of exemptions, the **total exposure** amount counts towards the 300% or 800% limit. Where this is the case this should be indicated by "Q" as part of the "Class" column (under Exposure Type), otherwise where it is not a qualifying large exposure then this should be indicated by "E". (See section 3(c) for further detail).

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

2. **Categories of Large Exposure**

This "large exposures" analysis covers loan asset and liquid asset exposures together with exposures to connected undertakings and other investments and off balance sheet exposures, as follows:

(i) **loan assets**: list the 10 largest exposures (irrespective of size in relation to own funds) **and** if applicable any others where the "**actual exposure**" amounts to 10% or more of own funds. For these purposes, exposures to connected undertakings are treated as a separate category (see (iii) below) including any which may be secured on land.

(ii) **liquid assets:** list (after (i)) all exposures where the "**actual exposure**" amounts to 10% or more of own funds.

(iii) **connected undertakings and other investments:** list (after (ii)) all exposures of the society to its **individual** subsidiaries in the supervised group, and the **aggregate** exposure of the supervised group to subsidiaries or other connected undertakings outside of the supervised group (but which are connected with the society), being investments in or loans to such bodies including any which are fully secured on land. Then list, if applicable, any such aggregate exposure of the supervised group to investments in other undertakings. In each case only list where the "**actual exposure**" amounts to 10% or more of own funds. Finally, include the **additional** line on "small exposures" described in (1)b.(1) above.

(iv) **off balance sheet:** list (after (iii)) all exposures where the "**actual exposure**" amounts to 10% or more of own funds.

NB: **Where a reportable large exposure** to **a counterparty** is made up of **different categories of exposure** (i.e. combinations of two or more of loan assets, liquid assets, connected undertakings and other investments, and off-balance sheet) **the separate amounts falling into each of the four categories should be listed separately on the return** as individual line items within the appropriate set (i.e. loan asset set, liquid asset set etc). This same approach should be followed for both **actual exposure** and **total exposure**. As regards the use of "Q" or "E" in the "Class" column (see section 3(c)), then the same letter should appear on each of the individual line items making up the exposure to this counterparty, and should be determined on the basis of the aggregate total exposure amount. The most likely combination of different categories of exposure is liquid asset and off-balance sheet (e.g. hedging contracts) for example to banks.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

3. **(a) Lender code**

This is to identify the "lender" (i.e. the party with the exposure) by distinguishing loans made (or other exposures incurred) by the society itself from those made by subsidiaries of the society.

Code

Society only	SOC
Subsidiary only	Abbreviated name or initials, sufficient to identify company
Subsidiaries	SUBX
Society plus subsidiary(ies)	GRP

3. **(b) Name of counterparty or connected group**

This is to identify the name of an individual counterparty to the exposure (i.e. the borrower), or, where the counterparty is a group of connected counterparties (see P/G), the name of the principal counterparty or other name used to identify the whole group of connected counterparties. In the case of a housing association its registration status should be included in brackets as (R)/(UR) to indicate whether registered with the Housing Corporation (or Tai Cymru/Scottish Homes) or unregistered.

3. **(c) Exposure type - class**

This consists of two single characters separated by a hyphen to indicate:

- firstly the "class" of exposure as detailed below -

  For **loan assets** (excluding exposures to connected undertakings) the "class" is F (fully secured on land), or U (unsecured on land)

  For **liquid assets** the class is "L";

  For **connected undertakings and other investments** the class is "C";

  For **off balance sheet** items the class is "X".

- and second, whether the exposure (as measured by the value recorded under the "**Total Exposure**" column) is 10% or more of own funds and therefore **qualifies** (designated by the character "Q") for aggregation against the 300% or 800% limit, or is less than 10% of own funds and therefore should be **excluded** (designated by the character "E") from that aggregation.

- example entries are:

  F - Q for a loan fully secured on land with "**total exposure**" 10% or more of own funds.

  C - E For an exposure to a connected undertaking with "**total exposure**" less than 10% of own funds.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large exposures - Group

3. **(d)** **Exposure type - code**

A two character code, identifying security or counterparty type which should be allocated on the basis of the type of the main or majority of balances when exposure is to a connected group. The code is as follows:

(i) for **loan asset** exposures they are as follows:

Exposure Type "Class"	**Code**	**Type of security/loan or other exposure**
F	RL	Loans FSRP to individuals only
		Other FSRP and other FSOL loans:
F	HA	Housing Association
F	RD	Residential - Development
F	RI	Residential - Investment
F	RO	Residential - Other
F	CD	Commercial - Development
F	CI	Commercial - Investment
F	CO	Commercial - Other
U	LI	Other loans to individuals
U	LB	Other loans to businesses etc.

(ii) for **liquid asset** exposures they are as follows:

Exposure Type "Class"	**Code**	**Type of counterparty**
L	BA	Bank
L	BS	Building society
L	GV	Government (UK or overseas)
L	LA	Local authority
L	OC	Other counterparty

(iii) for exposures to **connected undertakings and other investments** they are as follows:

Exposure Type "Class"	**Code**	**Type of counterparty**
C	SU	Subsidiary within Supervised Group
C	OC	Other connected undertaking
C	OI	Other investment

(iv) for **off balance sheet** exposures they are as follows:

Exposure Type "Class "	**Code**	**Type of exposure**
X	IR	Interest rate contract
X	FX	Foreign exchange contract
X	FR	other: Full risk*
X	MR	Medium risk*
X	ML	Medium/Low risk*
X	LR	Low risk and other*

* terms as used in Solvency P/G

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large Exposures - Group

3. (e) Actual Exposure

See tabular information below for details. **NB** the "actual exposure" includes future commitments.

Total exposure

This is the "**actual exposure**" after the application of any percentage weights to give effect to relevant exemptions. Percentage weights are as in the P/G (with fully exempt exposures having a 0% weighting), and all references to asset **maturities** are to **residual** maturities. See tabular information below.

3. (f) Actual & Total Exposure by Category of Exposure:

Category of Exposure		Actual Exposure	Total Exposure
Loan Assets:		Balance outstanding (as included in the balance sheet) on the account(s) of the counterparty or group of connected counterparties at the end of the reporting period, **plus** future commitments	Amount as in previous column.
Liquid Assets		Balance outstanding (as above) but excluding accrued interest.	The amount that results from the application of relevant percentage weights to the previous column.
Connected undertakings and other investments		Balance outstanding (as above) **plus** future commitments	The amount that results from the application of relevant percentage weights to the previous column.
Off Balance Sheet:			
(i)	Interest rate and	Current replacement cost of all contracts with positive values($*_1$), plus potential future credit exposure. (The sum of amounts calculated in steps (a) and (b) of section 1C5.1 of Annex 1C of Solvency P/G)	Same as previous column.
(ii)	Foreign exchange contracts		
(iii)	Full risk	Nominal Value ($*_2$)	Same as previous column.
(iv)	Medium risk	Nominal Value ($*_2$ and g)	Same as previous column.
(v)	Medium/Low risk	Nominal Value ($*_2$ and g)	Same as previous column
(vi)	Low risk	Nominal Value ($*_2$ and g)	Same as previous column.

$*_1$ That is where the replacement "cost" would represent a payment by the society, as opposed to a payment by the counterparty (because interest rates had moved in the society's favour).

$*_2$ In terms of Annex 1Cof the P/G, this value is the amount without application of the credit conversion factor.

3. (g) Future commitments

This represents the amount of a commitment to a counterparty or a group of connected counterparties, to advance further sums, as at the end of the reporting period.

Include contingent liabilities if they are loan asset related.

If a development property is taken in possession, it includes the future cost of build-out of the development.

In respect of the medium, medium/low and low risk off-balance sheet categories in (f), the value of any commitments to a counterparty that have already been reported with balances outstanding (under loan assets or connected undertaking or other investment exposures) should be omitted from medium, medium/low or low risk categories to avoid double counting.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION L: EXPOSURE ANALYSIS: Large Exposures - Group

3. (h) **Security value**

For loan assets this is to be the 'most recent valuation' of tangible security held in respect of the relevant current exposure. Estimates of future value should not be used. The 'most recent valuation' is a reference to the most recent written report on the value of the property.

For liquid assets it is market value (or book value if not marketable).

For **connected undertakings and other investments,** and **off balance sheet exposures** this column will not normally be applicable.

3. (i) **Year of valuation**

This represents the year in which the security was last valued.

For **connected undertakings and other investments,** and **off balance sheet exposures** this column will not normally be applicable.

3. (j) **Specific provisions**

This is to be the amount of any specific provision which has been included in the income and expenditure account in respect of the relevant lending or investment.

For **liquid assets**, **connected undertakings and other investments,** and **off balance sheet exposures** this column will not normally be applicable.

3. (k) **Amount of arrears**

This is the total amount of any accumulated arrears on the particular exposure.

For **liquid assets**, **connected undertakings and other investments,** and **off balance sheet exposures** this column will not normally be applicable.

4. **OTHERS POINTS ON P/G**

(i) References to **compliance** with various large exposure limits (e.g. 20% of own funds) should be interpreted as references to the **total exposure** measure (i.e. after taking account of any full or partial exemptions).

(ii) References in paragraphs 7.6 and 7.8 of the P/G to

(a) "**exempt**" exposures means exposures which, after taking into account full or partial exemptions, are below the relevant reporting percentage (e.g. if less than or equal to 20% it is not required to be **pre-reported**);

(b) the need for **pre-reporting** should therefore be based on the **total exposure** measure as a percentage of own funds.

(iii) All references to **maturities** in the text and paragraph 7.8 of the P/G are to **residual** maturities.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION M: MATURITY ANALYSIS (Residual maturity)

This table analyses the maturity profile of a society's shares and deposits & debt securities, liquid assets and committed facilities. The analyses are of balance sheet amounts excluding accrued interest.

The amounts repayable within the particular bandings should represent the residual maturity rather than that based on the original or contractual maturity date. [The time bandings are exactly as set out at the head of the table, where a "month" means the normal 30 days, and not as used in MFS1 Table C, Section C2 which only applies for items in C2]

M1/2 Shares and Deposits & debt securities: residual maturity

The amount repayable by time band for an item should be the earlier of

(i) the residual period up to original maturity date; or

(ii) where repayment is available before that time without penalty, as for example:

a) by giving a period of notice, in which case residual maturity is the remaining time before any such notice comes into effect (all investors accounts of a given type/product which has a 'notice' option will not necessarily have the same residual maturity - different accounts will have different periods of residual notice to penalty free access); or

b) in certain accounts where an investor can have instant access without penalty to amounts in excess of a certain amount (e.g. amounts in excess of £10,000), then the total amounts "accessible" above the various minima should be treated as repayable in the "up to 8 days" band.

Residual maturity for FRNs and similar instruments, should generally be treated in the same way.

However if there is an option for early repayment the treatment depends on whether the society has the choice in exercising that option or whether it could be obliged to repay at a third party's option:

(a) if it is at the society's option then classify by full residual maturity (i.e. period to original maturity)

(b) if the obligation is on the society then the earliest repayment date, that would apply in normal circumstances, determines the residual maturity period.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION M: MATURITY ANALYSIS (Residual maturity)

M3 Liquid assets: residual maturity

The same approach should be adopted as in M1 & 2, except for the treatment of the society's option/obligation where the rules are reversed.

In classifying the various liquid assets shown in the (corresponding) monthly MFS1 return, the following scheme should be used:

QFS1 item		MFS1 items to be included	
M3.1	Cash	B6.1	Cash
M3.2	Bank deposits	B6.2 (a+b) B6.3 (a+b)	Central banks Banks
M3.3	CDs	B6.4 (a to c)	CDs
M3.4	Other money market instruments (OMMIs)	B6.5 (a to d) B6.7 (a to b)	OMMIs Bills
M3.5	Marketable securities	B6.6 (a1 to b3) B6.10 (a1 to b4)	Bonds, notes & OCIs Mortgage backed securities
		B6.11 (a1 to b2)	Sovereign securities
M3.6	Other	B6.8 (a to c) B6.9 B6.12 (a to c)	Local authority Certs of tax deposit Other liquid assets

M4 Committed facilities available

These represent formal and confirmed standby facilities including overdraft facilities. Only **undrawn** amounts of such facilities should be included.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION N: ORGANISATION

Requests details of number of staff and offices.

Staff numbers refers to actual (or expected) numbers in post or otherwise engaged by the society (including temporary and contract staff, staff on paid maternity or sick leave; and unfilled vacancies which the society actually plans to fill) at the relevant period end. Numbers should be stated in terms of full-time equivalents, counting part time staff as half. Where staff are employed by the society but in fact work for a subsidiary undertakings then numbers should be allocated to "subsidiary undertakings" columns but only where the costs of such staff are charged to the subsidiary.

N1 **Total staff (full time equivalent)** covers all staff employed at the period end, counting part time staff as half a staff unit.

N1.1 **Staff at branch offices** covers all staff (on a full time equivalent basis) at branches which provide deposit taking and/or lending services to members. Include any such office located within a head office: for very small societies this may be the only branch. Staff that are not located at branch offices should be excluded from the branch count (i.e. do not include staff at local or regional administration centres in the branch count).

N1.2 **Staff at estate agency offices** covers all staff (on a full time equivalent basis) employed at estate agency offices included under N3.

N2 **Branch offices staffed by employees** covers those described in N1.1 (and therefore includes any such branch at head office offering deposit taking/and or lending services to members). A zero entry is therefore not applicable.

N3 **Estate agency offices** distinguishes between those existing within a society branch office and those independently sited.

N5 **Members and creditors: numbers**

N5.1 **Shareholding members:** the number of share investors (not the number of accounts). Societies are expected to use best endeavours to eliminate duplication from the count of investing shareholders. Joint holdings should be counted as one "shareholder".

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION N: ORGANISATION

N5.2 **Borrowing members:** the number of borrowers (not the same as the total number of mortgages) with joint borrowers being counted as one. A borrower with more than one mortgage should only be counted as one borrower. Societies should use best endeavours to eliminate duplication (where a borrower has both a solo loan and another loan jointly with a second person then societies may compile figures on the basis that there are two borrowers: the individual and the joint borrower).

In the case of subsidiary undertakings, "borrowers" is as above, although the concept of membership does not apply.

N5.3 **Creditors for deposits:** the same principles as for N5.1 should be applied to the range of deposit accounts.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION P: INVESTMENTS: By type of activity

a) This table is an analysis of the society's **investments** (as shown in the balance sheet under this same title) by different types of business activity, plus in column 2 the amount of other loans (not treated as investments in the balance sheet, but as other loans to customers) made to the various types of undertakings.

b) The analysis by line item is divided between activities undertaken by subsidiary undertakings and participating interests (lines P1 to P9) and those related to other investments (i.e. trade investments such as LINK, BACS etc, and other equity shares) shown at line P10.

c) When a society has more than one body undertaking a particular business activity (e.g. 3 estate agency companies) then figures should be aggregated for all such companies and shown on a single line in the table.

In the case of a connected body undertaking more than one type of activity then it should be classified on the basis of the main type of activity.

d) Profit figures for subsidiary undertakings should be included on the basis of the amount attributable to the society: this is less than the amount shown in table B which includes amounts attributable to minority interests. The reconciliation is covered in P12.

e) **Staff employed (FTE)** refers to staff employed at the respective period ends. "FTE" is full time equivalent, counting part time staff as half a staff unit.

P8 **Society support operations** is intended to cover companies set up to deal with particular aspects of running the society's core business. Examples are computer services company, property company (holding HQ and/or branches), mortgage administration of loans on society's balance sheet, etc.

Reconciliation of sub-totals

P11 The total of "**investments in"** in column 1 should agree with the amount shown in the balance sheet against "Investments" at A9.5 (col 1). The total of "**loans to"** in column 1 will be part of the amount shown in the balance sheet against "Other loans to customers" at A9.4.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION P: INVESTMENTS: By type of activity

P11 The total income in the final two columns for "All investments" made up of (i) Income from participating interests (which includes associated undertakings) and (ii) income from trade and other investments and totalled in P11, should agree with income from investments in table B as follows:

- Income attributable to the society, totalled at P11, should agree with B4 (Column 1).

- Income attributable to the Group, totalled at P11, should agree with B4 (Column 7) and will be the share of profits after tax in associated undertakings together with dividend receivable from other participating interests and other investments.

Please also see Introduction/3 which provides a useful summary of the accounting treatment in the Income & Expenditure Account of the various types of connected undertakings and other investments.

P12 The total profits of all subsidiary undertakings included in the sub-total at P12.1 (which only represents the amounts attributable to the society) together with P12.2 (the amounts attributable to minority interests) should agree with the equivalent total under "Subsidiary undertakings" in table B at B11.

P13 Is the total of figures for subsidiary undertakings (shown in P1 to P9) which have not been included in consolidated figures in table B, i.e. those entries marked "NC" in column 3 of table P.

BUILDING SOCIETY: QUARTERLY STATEMENT

SECTION Y: CHECKLIST OF LINE ITEMS ROUTINELY TO BE DEDUCTED

The purpose of this section is to indicate those line items in the various tables which will be "deducting" items when arriving at sub-totals or totals. These should be shown without sign and should **not** be shown in brackets unless the conditions in paragraph 8(iv) of the Introduction to these Notes require.

Table	Line items
A	A9.6
B	B2
	B6.1 & 6.2
	B7
	B8
	B9
	B12
	B14
C	C1.2
	C1.5
	C2.1c
	C2.2a
D	D1.3
	D1.4
	D2.6
	D3.1
	D3.2

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY: QUARTERLY STATEMENT

QFS 2

GUIDANCE NOTES

Sections

Introduction:	**General Notes on the return**
Section A:	**Sectorisation of selected liabilities**
Section B:	**Sectorisation of loans and investments**
Section C:	**Residual maturity analysis of gilts**
Section D:	**Derivative contracts**

Submission of return: **By close on the 11th business day after each of the <u>calendar quarters</u> (i.e. ending March, June, September, December).**

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2 ("Society only" return)

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

The QFS2 return is only required to be completed by the larger societies (i.e. those societies completing the monthly MFS1 return to the faster timetable). The reporting quarters are **calendar** quarters, that is end March/June/September/December.

The main purpose of QFS2 is to collect the detailed sectoral analysis needed for the monetary and financial accounts statistics. The starting point for this is the increased sectoral analysis on the monthly statement MFS1 (including the MFS1 supplementary statement [Forms B8-10]), which is supplemented quarterly by the more detailed sectoral analysis of particular balance sheet items collected on QFS2 (whose structure is harmonised with that used in the MFS1 return).

2. Unit of measurement

Amounts should be entered to the nearest £ million (i.e. not thousands as on the MFS1 return), omitting £000,000s. In all cases on the return, totals should equal the sum of component items (with any adjustment due to rounding being made on the largest component item).

3. Cross validation to return MFS1

A number of sub totals on QFS2 are direct equivalents of line items on return MFS1, and the amounts entered on QFS2 should agree with the corresponding item on MFS1 (subject to rounding to the nearest £ million). For this reason the return has MFS1 cross references to facilitate comparison with corresponding items in the monthly return.

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

INTRODUCTION: GENERAL NOTES ON THE RETURN (continued)

4. Accuracy

As the main purpose of the figures is to provide broadly accurate aggregates for the total of all societies, estimates of less precision than the data entered on the monthly MFS1 return will be acceptable in compiling the component sectoral details required on QFS2.

However, societies are asked to advise the Financial Services Authority (the Financial, Risk Analysis and Monitoring Group) of any subsequently discovered errors resulting in changes of over £25 million.

5. Society/Connected Undertakings

The return should be compiled on a society only basis. Separate returns are not required to be completed in respect of subsidiary or other undertakings.

6. Sectoral classification

Societies should refer to the Guidance Notes on the monthly MFS1 (for the main sector definitions), Appendix II of those notes, together with the sector mapping document appended to the MFS1 Supplementary Statement guidance notes.

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

SECTION A: SECTORISATION OF SELECTED LIABILITIES

A1 OTHER UK SECTOR (UK NON-BANK NON-BUILDING SOCIETY PRIVATE SECTOR)

This analyses two funding items as follows:

(i) **Share liabilities** reflects the entry reported at B1.1 on the MFS1 and this is analysed by the relevant component sector.

(ii) **Deposits** is the sum of three line items on MFS1 (namely B2.0(a),B2.1 and B2.3).

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

SECTION B: SECTORISATION OF LOANS AND INVESTMENTS (Gross)

This table analyses loan assets on a gross basis (i.e. without deduction of provisions) for two specific sectors: the "other UK Sector" (UK non-bank non-building society private sector) and the "non-resident sector". This is a further analysis of two of the loan asset sector figures in B7.8 of the MFS1 return (with which relevant totals should agree)**.**

B1-6 **COLUMNAR ANALYSIS**

Loans fully secured on residential property and loans fully secured on land (balances) are as defined in the 1986 Act and the MFS1 Guidance Notes.

Investments and Other Loans to Customers are analysed as follows:

i. **Investments (Equities).** These refer to investments in connected undertakings (share or other capital in the society's undertakings, being part of MFS1 line item B7.4) together with any other 'securities'. For the purposes of this return, securities are taken as investments in related companies, and other marketable or potentially marketable instruments (with an original maturity of one year or more) e.g. mortgage backed or other securities.

ii. **All other loan and investments.** These include certain loans of a longer term nature (and typically where a repayment schedule is not expected) to connected undertakings (being part of MFS1 line item B7.4) and other loans provided to subsidiary undertakings (being part of MFS1 line item B7.3(b)).

NB: Subsidiary undertakings primarily set up to do secured lending in the UK fall to be disclosed at line B1.1(e).

B2 **NON-RESIDENT SECTOR**

B2.1 **Direct investment** comprises investment (including retained earnings) by the society in the fixed assets (such as premises and equipment) of its overseas branches and in the share capital, loan capital and other capital funds of its subsidiary undertakings. Also include any working capital in the form of equipment provided free of charge to branches and subsidiary undertakings overseas. [This analysis is used in balance of payments statistics].

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

SECTION C: UK GOVERNMENT STERLING SECURITIES

C1-3 BY RESIDUAL MATURITY

Analyses residual maturity of gilts by index linked and other, showing opening and closing balances along with transactions and valuation changes in the quarter. The analysis is 'sterling' only, being an analysis of the amount shown in the sterling column against item B6.11 a1) of the MFS1 return.

A note on securities subject to a stock lending agreement

The treatment in table C should be as follows:

(i) **balances**: include securities lent (or pledged), but exclude securities or other instruments held as collateral under a stock lending agreement.

(ii) **transactions**: exclude transactions in which securities are lent (or pledged) under a stock lending agreement. The receipt of securities or other instruments as collateral under a stock lending agreement should also be excluded.

C1-3 TRANSACTIONS (Columns)

Points on individual columns are:

(i) **Balance at end previous quarter** should agree with the figure provided on MFS1 for the corresponding month. Here book value means the basis on which the society records gilts in its accounts.

(ii) **Purchases in quarter** is the value of all such acquisitions in the period

(iii) **Realisations in quarter** is the amount received from sale or redemption of gilts in the period.

(iv) **Other debit/credit net** will include for example:

- depreciation (or amortisation of premium)/appreciation (or amortisation of discount)

- net surplus/deficit on realisation

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

SECTION C: UK GOVERNMENT STERLING SECURITIES

- amounts in respect of holdings which have passed from one maturity band to another in the quarter

- any other adjustment to the previous quarter's book value.

(v) **Balances at end quarter** is given on two bases:

(a) **Book value** - which should reconcile with the previous columns

(b) **Market value** - which provides a bench-mark for compilation of sector balance sheets.

BUILDING SOCIETY: QUARTERLY STATEMENT QFS2

SECTION D: DERIVATIVE CONTRACTS

This return records building societies' asset and liability positions in derivatives as at the end of the period and transactions in derivatives over the period. These data will contribute to the UK National Accounts and Balance of Payments.

D.1 TOTAL NOTIONAL DERIVATIVE CONTRACTS

Derivative contracts are to be categorised here under 3 market risk categories: **interest rate**, **foreign exchange and other (e.g. equity**). In practice, derivatives may involve more than one category. In such cases the contract should be reported in only one category to avoid double counting, with the allocation being based on the underlying risk component which primarily determines the price of the contract.

The entry to be shown in each line item is the gross amount of the principal involved.

D.2 TOTAL MARKET VALUE OF DERIVATIVE CONTRACTS

Societies should include all contracts at their market or fair value, where the fair value is the amount at which the contract could be exchanged in an arms length transaction between informed and willing parties. Contracts with a positive marked-to-market value should be recorded as an asset: contracts with a negative marked-to-market value should be recorded as a liability.

D.3 NET TRANSACTIONS IN DERIVATIVE CONTRACTS

This includes all transactions in derivatives by the society. All derivative contracts should be recorded on a cash basis with the values reflecting market settlement values rather than daily unrealised revaluation amounts (of accruals). **Where cash is received a negative transaction should be recorded and where a payment is made a positive transaction should be recorded.** If delivery of the underlying asset occurs (e.g. with some option contracts) then only the difference between the market price and the contract paid should be reported as a transaction. Similarly, the exchange of principal (e.g. in cross currency SWAPS) should also be excluded.

D.4 TRANSACTIONS WITH NON-RESIDENT COUNTERPARTIES

This is an "of which" of the data included in D.3 above. Societies should separately identify net receipts associated with interest rate swaps, FRA's and other products where the counterparty is a non-resident.

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY: ANNUAL STATEMENT

AFS1

GUIDANCE NOTES

Sections

Introduction:	General notes on the return
Section A:	Balance Sheet
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Section G:	Selected Business Volumes
Section X:	Summary of cross checks
Section Y:	Summary of deducting items

Submission of AFS1: **must** be within 2 months of financial year end.

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

This section covers a number of points that have relevance across the return generally:

2) Building Societies Act 1986

3) Accounting conventions

4) Accuracy

5) Society, connected undertakings and group figures

6) Time horizons

7) Outturn information

8) Specific items:

   (i) positions to be reported gross
   (ii) foreign currencies
   (iii) use of brackets (..) around figures

9) Building society mergers

2. Building Societies Act 1986

Any reference to "the 1986 Act" is a reference to this legislation (as subsequently amended).

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

3. Accounting conventions

Unless advice is given to the contrary in these Guidance Notes, the return should be compiled using standard accounting practice and in accordance with accounts regulations made under the 1986 Act.

The return has been designed with the aim of harmonising line items wherever possible with those required under accounts regulations, and as used in societies' published and internal accounts. In most instances line items reflect the basis adopted in the 1998 accounting regulations. Given the existence of detailed "definitions" in the Accounts Regs (in the form of particular treatments to be adopted in compiling balance sheet and income and expenditure accounts) and also guidance in the BSA's Annual Accounts Manual, sections A and B of these Guidance Notes deal only with a limited number of line items where additional notes are thought likely to be needed.

4. Accuracy

It is expected that entries on the return will be actual values. Although the return is not required to be formally audited, figures which are common to (i.e. the line item is the same and the definition is the same as) those in the Published Accounts (mainly in Sections A and B) should agree with those figures.

5. Society, Connected Undertakings and Group figures

Societies may hold investments in different types of undertakings.

The1986 Act defines certain undertakings in which a society may have an interest as "connected undertakings", that is "subsidiary undertakings" and "associated undertakings". In addition to these however a society may also have "other participating interests" or hold "other equity shares" (that is non participating interests). These terms are amplified below:

Subsidiary undertakings: As defined in Companies Act 1985, section 258, which essentially means undertakings over which the society exercises control or dominant influence.

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5. Society, Connected Undertakings and Group figures (continued)

Participating interests: An interest held by a society in the shares of another undertaking which it holds on a long term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest. A holding of 20 per cent or more of the shares of an undertaking is presumed to be a participating interest unless the contrary has been agreed with the Financial Services Authority. (Full definition is that given in Companies Act 1985, section 260).

For the purposes of group figures the category "**participating interests"** sub-divides into:

> **Associated undertakings**: A participating interest in which the society exercises a significant influence over the operating and financial policy. (Full definition given in Companies Act 1985, schedule 4A paragraph 20).
>
> **Other participating interests**: A participating interest that does not fall to be included within the definition of an associated undertaking.

In tables A and B of the return there is however no separate line for "participating interests", and any entry appropriate to this category should be included in the line for "other participating interests".

Other equity shares: These essentially refer to non-participating interests in other undertakings. They include any other investments which do not fall to be included within any definition above, such as trade investments (e.g. BACS, APACS etc) or other forms of equity holdings (e.g. XYZ plc).

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5. Society, Connected Undertakings and Group figures (continued)

The accounting treatment of these investments is best summarised. Reference to the table below should help societies to determine an acceptable and reasonable approach:

BALANCE SHEET		**Society**	**Group**
(a)	Subsidiary undertakings	Investment at cost less any permanent diminution in value	Full consolidation line by line.
(b)	Participating interests in:		
(b).1	Associated undertakings	Investment at cost less any permanent diminution in value.	Cost of investment and share of post acquisition retained reserves.
(b).2	Other participating interests	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.
(c)	Other equity investments	Investment at cost less any permanent diminution in value.	Investment at cost less any permanent diminution in value.

Note: only one of (b)1 or (b)2 applies for each column.

INCOME AND EXPENDITURE ACCOUNT		**Society**	**Group**
(a)	Subsidiary undertakings	Dividend receivable	Full consolidation line by line.
(b)	Participating interests in:		
(b)1	Associated undertakings	Dividend receivable	Share of profits or losses.
(b)2	Other participating interests	Dividend receivable	Dividend receivable
(c)	Other equity investments	Dividend receivable	Dividend receivable.

Note: only one of (b)1 or (b)2 applies for each column.

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

5(i) Society, subsidiary undertakings and Group (consolidated)

The annual return is designed to collect information in respect of the society itself, of the society's subsidiary undertakings and for the group (on a consolidated basis).

5(ii) Subsidiary undertakings

Columns headed "subsidiary undertakings" means the total in respect of all such bodies which are required to be fully consolidated in group accounts (e.g. published accounts)

5(iii) Group (consolidated)

Columns headed "Group (consolidated)" should be compiled on a basis equivalent to that used in preparing published Group figures.

6. Time horizons

The return seeks information in respect of 2 different time horizons as follows:

6(i) Society

For the society and subsidiary undertakings with the same year end as the society this will be the latest financial year.

6(ii) Subsidiary undertaking

If the financial year of a subsidiary undertaking included in the consolidation differs from that of the society, the "group" column shall be made up -

(a) from the accounts of the subsidiary undertaking for its financial year last ending before the end of the society's financial year, provided that year ended no more than three months before that of the society, or

(b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent society's financial year.

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

7. Information contained in the AFS1: Basis

Information should, where relevant, agree with the audited information contained in the society's Published Accounts. Where figures have no audited equivalent they should wherever possible be on an 'actual' basis and taken from the society's information system(s).

Although the AFS1 covers the same accounting period as the society's Q4 QFS1 return, it is not expected that the information in these two returns will necessarily be exactly the same for those items which are common (e.g. balance sheet and income and expenditure). However if, on examination, the Financial Services Authority considers that sufficiently material differences are apparent in key items (particularly in table B) then it may ask for revisions to relevant parts of the Q4 QFS1 return. Previous experience suggests that only a small number of societies are likely to be affected.

8. Specific items

8(i) Positions to be reported Gross

In general, Accounts Regulations indicate that amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure, subject to certain exceptions relating to financial operations and to provisions and amounts written off which are dealt with in paragraphs B5, B9 and B10 of these Guidance Notes.

A notable exception to this however concerns the reporting of loan assets which are subject to "linked presentation" under FRS5. 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 (e.g. G).

8(ii) Foreign currencies

Amounts in foreign currencies should be translated into their equivalent sterling value at the closing middle market spot rate on the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value entered in the return. Thus all entries in the form represent sterling amounts. Societies should apply the same accounting treatment as for the published accounts having regard to SSAP 20.

BUILDING SOCIETY: ANNUAL STATEMENT

INTRODUCTION: GENERAL NOTES ON THE RETURN

8(iii) **Use of brackets (..) around figures**

All amounts should be shown without brackets, that is shown as a positive amount, unless:

a) the amount is of the opposite sign to that expected

b) the entry could either be positive or negative: in which case the sub-heading should indicate which of the alternatives e.g. "profit/(loss)" is to be shown in brackets.

In any table where an item is routinely to be deducted (e.g. provisions in balance sheet and income and expenditure) the amount should **not** be shown in brackets. The **exception** would be if the value was of the opposite sign (i.e. negative) and required to be added not deducted, in which case brackets would be necessary. "Deducting" items are summarised in Section Y of these Notes.

9. **Building society mergers**

When a merger of societies takes place, the AFS1 should be completed as follows:

transferring society: should always complete a "closing" return up to the date of the merger, with flow/transaction figures for the period since the previous year end date and balances as at the date of transfer.

accepting society: in completing its first AFS1 after the merger should include flow/transaction figures of the transferring society only from the date of merger. This return will of course show the balance sheet amounts in respect of the combined society.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION A: BALANCE SHEET: LIABILITIES

A2 **Deposits and debt securities**

Although this is not a specific sub-head in the Accounts Regs, it is used for convenience to bring together three sources of funding other than "shares".

A2.1 **Amounts owed to credit institutions**

Credit institution means an undertaking whose principal business is carrying on regulated activity of accepting deposits within the meaning of the Financial Services and Markets 2000 (Regulated Activities) Order 2001 or any successor regulations made under section 22 of the Act.. It includes banks **and** building societies.

A3 **Other liabilities: Long term insurance**

Societies are asked to show the amount of long term life insurance liabilities (if applicable) as part of other liabilities at A3.3.

A7 **Subscribed capital**

This will include deferred shares issued on formation, permanent interest bearing shares ("PIBS") and any other forms of subscribed capital that may be permitted in future.

A13 **Commitments**

This will include every irrevocable commitment which would give rise to a credit risk to the society or the society and its subsidiary undertakings.

A13.2 It excludes ordinary mortgage commitments. However include any retentions on a secured loan and any stage payments (e.g. on a housing development or similar loan) which the society is contractually obliged to advance at the balance sheet date.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION A: BALANCE SHEET: ASSETS

A21.3 **Liquid assets: loans and advances to credit institutions**

Credit institutions - see A2.1 above - include banks **and** building societies.

A25 **Investments**

Analyses holdings of shares in and certain types of loans (notably those of a longer term nature, typically where a repayment schedule is not expected. NB Loans with a repayment schedule are expected to be included within A24.2) to various connected undertakings. Such undertakings are defined in section 5 of the Introduction to these Notes.

Equity shares in A25.1 excludes investments in any subsidiary undertaking or other participating interests (shown in A25.2 to A25.5) and relates to holdings in bodies unconnected with the society or group (e.g. holding of shares in XYZ plc).

A25.4/5 **Associated undertakings and other participating interests** are also defined in Section 5 of the Introduction. As indicated in the table in that section, entries in respect of a society's or subsidiary undertakings' holdings in "participating interests" should be entered against "other participating interests".

A28 **Other assets: Long term insurance funds**

This refers to assets of long term insurers which represent funds arising from the carrying on of long term insurance business.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION A: BALANCE SHEET: PROVISIONS ANALYSIS

A41-A66 The analysis of provisions balances refers to those amounts deducted in arriving at the amounts shown in the balance sheet (in contrast to monthly and quarterly returns where all loan asset balances are shown "gross" i.e. without deduction of provisions which are shown separately).

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION B: INCOME AND EXPENDITURE

B4 **Income from investments**

Please refer to the definition of connected undertakings and other investments in section 5 to the Introduction to these Notes.

B5 **Other income and charges**

Although no longer a sub-head in the Accounts Regs, it has been retained since all the component items remain.

B5(c) **Net profit/(loss) on financial operations includes:**

(i) net profit or loss on transactions in securities which are not held as financial fixed assets (see Note below), that is on such liquid assets held as a trading book, together with amounts written off or written back arising from valuation differences between book value and market value;

(ii) net profit or loss on financial instruments (hedging instruments) except in so far as that income or charge is treatable as interest and included in interest receivable/payable (e.g. as may be the case for interest rate swaps)

Note: "**financial fixed assets**" means securities held as fixed assets; participating interests and shareholdings in subsidiary undertakings should always be regarded as financial fixed assets.

"**fixed assets**" means assets of a society which are intended for use on a continuing basis in the society's activities, and **current assets**" means assets not intended for such use.

B8 **Provision for bad and doubtful debts** will comprise charges for amounts written off (i.e. where not previously provided for in prior year accounts) and for additional provisions made in respect of loan asset items A22, A23 and A24 in the balance sheet. Also include **adjustments to provisions for bad and doubtful debts** e.g. arising from recoveries against previous write-offs.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION B: INCOME AND EXPENDITURE

B9 **Provisions for contingent liabilities and commitments** will comprise charges for provisions (net of any credits from the reduction of provisions previously made) for contingent liabilities and commitments of a type which would, if not provided for, be shown under items A12 or A13 in the balance sheet.

B10 **Amounts written off fixed asset investments**

This will comprise amounts written off (net of amounts written back following earlier write-offs) in respect of transferable securities held as financial fixed assets, participating interests, and shares in subsidiary undertakings which are included in Asset items A21.2 to A21.4, and A25.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION C: MISCELLANEOUS

Introduction

For details of items required on this part of the AFS1, please refer to relevant guidance notes on QFS1:

Section A:	for values of statutory percentages
Section C:	for information on loan book acquisitions and mortgage discounts/incentives

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION F: DIVERSIFICATION

(i) The purpose of this section is to seek information on the extent to which societies have made use of the wider powers available to them under the 1986 Act, both following the 1988 review and now the 1997 Act. Although the structure and format of this section remains as it was when first introduced by the Building Societies Commission in 1992, there are good reasons for so doing. First, it still represents a comprehensive checklist of possible areas of diversification. Second, although in theory the 1997 Act opened up a wider range of possibilities, it is far from clear at this stage what other "services" would need to be added to this section. In due course it may be necessary to supplement the range of services listed, but for the immediate future the current listing is felt to be adequate.

(ii) The various activities are divided between those which are "**directly provided**" and those which the society or group is "**arranging**". These terms can be defined as follows:

(a) **Arranging** means that the society or a connected undertaking is acting as an agent for a third party;

(b) **Directly provided** means provided by the society itself or by a connected undertaking. See also (iii) below.

(iii) For the purposes of this table the term **"undertaken"** in the column sub-heading means undertaken as at year end. A service undertaken during the year but which is formally no longer arranged or provided at the year end (that is, has formally ceased) is not required to be reported as "undertaken". However, for the purposes of table G please include details of transactions (i.e. flows) during the relevant period for any service no longer **provided** at the year end (at which point of course, if the service is no longer provided, then an entry in table G will not be relevant for any stock or year end position / balance related to that service).

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION G: SELECTED BUSINESS VOLUMES

Introduction

This section covers selected areas of activity and generally asks for two volumes, numbers and amounts. It is intended to supplement information provided elsewhere in the return. In a number of instances it is asking for volumes of activities indicated in Section F. In all cases it refers to services **directly provided** rather than **arranged** [see Section F/1 of these Notes for definitions].

G1 Money Transmission

G1(a) Current Accounts

The term is not defined in the 1986 Act as amended, and there is no direct definition in case law or in statute. However, it would appear that because the function of a current account is to facilitate day to day payments, the two essential characteristics are -

(i) that balances must be repayable on demand, and

(ii) that the customer has the right to draw personal cheques on the account.

Although certain other features may be common in current accounts (such as overdraft and other money transmission facilities), these would not seem to be essential characteristics.

G1(b) Guarantee Cards

This covers cards which guarantee cheques up to a stated value e.g. of £50 or £100 etc.

Where a card is 'multi purpose' that is it can be used, e.g., as a cheque guarantee card [G1(b)], and a debit card [G1(c)], it should be included separately under each applicable category in the numbers column.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION G: SELECTED BUSINESS VOLUMES

G1(d) **ATMs**

These are the **numbers of machines** operated from premises of the society, e.g. Head Office, branch offices, or companies within the group or at the society's agencies, or remote locations where no branch exists (e.g. petrol station, shopping centre etc) but which are owned (or rented) by the society and at which cash withdrawal cards issued by the society can be used.

G2 **Lending**

G2.1 and G2.2 **Advances**

(i) For definitions please refer to section F/1 and F/2 of the MFS1 Guidance Notes.

(ii) Advances which include provisions for stage payments should count as **one** in the numbers column, that is the stage payments do not count as separate advances. Further advances however should be counted in addition to the original advance.

G3 **Housing Activity**

This section provides a breakdown of residential housing activity, between property development, properties for rental and properties involving shared ownership.

G3.1 **Development properties**

This analyses development activity in the construction of residential properties.

G3.2 and G3.3 **Rented housing and shared ownership schemes**

This is an analysis of residential properties distinguishing between those let solely as rented housing and those held as part of shared ownership schemes. Neither should include any development activities which should be dealt with in Section G3.1.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION G: SELECTED BUSINESS VOLUMES

G4 **Estate Agency (Number of properties)**

G4(b) **Sales in period**

This should include only those sales which have reached the stage of completion.

Properties which have been removed by the vendor unsold should not be included in 'sales'.

G5 **Administration/Registration of share issues/transfers**

G5(a) **Transfers registered**

(i) Count as **one** transfer registering the transfer of a parcel of shares (arising through sales or purchases) or handling the issue of new share certificates or other new issue documentation.

(ii) The **amount** to be entered is the nominal value of the shares subject to transfer/new issues.

G6 **Investment Services**

G6(a) **Stockbroking: Clients and value of transactions in year**

(i) numbers of clients should not be adjusted to relate to shares transacted, i.e. where two separate parcels of shares are bought or sold for the same client this should count as **one**.

(ii) Transactions. The amount is as defined in sub-paragraph G5(a)(ii) above.

G6(b) & (c) **Numbers of clients** as in sub paragraph G6(a)(i) above.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION G: SELECTED BUSINESS VOLUMES

G8 **Trusteeship (Assets)**

The value should be the amount of assets held at the year end on behalf of Charitable Trusts (a), or Trusts for Individuals (b).

G9 **Executorship**

G9(b) **Wills/estates for which appointments held as executor/administrator at year end**

This should be the totality of all appointments held regardless of whether any action has been, or is currently being, taken by the executor or administrator.

G10 **Organisation**

Please refer to section N of Guidance Notes for QFS1 return for definitions of line items used here.

BUILDING SOCIETY: ANNUAL STATEMENT

SECTION Y: SUMMARY OF DEDUCTING ITEMS

Paragraph 8(iii) of the Introduction to these Guidance Notes makes reference to the treatment of items which are to be routinely 'deducted' in arriving at sub-totals or totals.

The items listed are those which are deducting items and which should **not** be shown in brackets unless the conditions in paragraph 8(iii) are met:

Table A(4)	Column 2 (write offs)	for every item A41.1 to A65.
Table B(1)	B2 (f)	all columns.
	B5 (b), (e)	all columns.
	B6(e)	all columns.
Table B(2)	B7, B8, B9, B10	all columns.
	B12, B14, B17, B19, B21, B22	all columns.

FINANCIAL SERVICES AUTHORITY

BUILDING SOCIETY: MONTHLY GAP RETURN

Guidance on Completion of Interest Rate Risk GapAnalysis

BUILDING SOCIETY: MONTHLY GAP RETURN

Introduction to gap analysis

1. 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.)

2. 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.

3. The interest rate risk gap analysis incorporates three inter-linked limit structures:

(1) individual limits for each time bucket;
(2) cumulative limits for each successive time bucket; and
(3) sensitivity limits for the maximum change in economic value and interest income arising from a 3% parallel shift in interest rates.

4. All limits are sign insensitive - i.e., a £10m gap limit applies to both positive and negative gaps. Individual and cumulative gap limits need not be reported for periods up to one year ahead.

BUILDING SOCIETY: MONTHLY GAP RETURN

Setting Gap Limits

5. There are (at least) three possible approaches to the setting of cumulative limits, any of which will be acceptable:

(1) totals of gaps from overnight forward, but with no limit on positions for less than one year out (i.e. count all positions into the total, but only monitor the total for buckets 1 year +);

(2) ignore all gaps for periods up to one year out, then start accumulating gap positions, and setting limits, from one year forward; and

(3) accumulate gap positions in reverse from the most distant period (but not including "no fixed repricing date" items) back towards today, setting limits accordingly.

6. In the first two cases, cumulative limits will become progressively larger as the period becomes more distant, until an overall limit is reached (the cumulative limit, to have any effect, needs to be set at less than the sum of individual gap limits). In the third case, limits will become progressively smaller as the period becomes more distant (i.e. because gaps accumulate in reverse, the limits increase towards the present). The advantage of the reverse cumulative limit structure is that it restricts the total extent of positions taken within and beyond each successive time bucket - where risks to economic value increase - whereas standard cumulative limits govern positions taken up to, and including, each time bucket. The reverse cumulative position can also be used to calculate net interest sensitivity by period.

7. All societies except those on the administered approach to financial risk management (see chapter 4 of the IPSB for building societies) must complete the Interest Rate Risk GapAnalysis.

BUILDING SOCIETY: MONTHLY GAP RETURN

8. A sample return was sent to societies in June 1996 as Annex 1 to the Building Societies Commission DCE letter (number DCE1996/9). For the reasons outlined in this guidance, this format is not mandatory and societies may use an alternative form of report. Accordingly, the sample format is not replicated here.

9. Societies should complete a gap report for each currency (including sterling) converted into its base currency (sterling) in which it has an exposure (hedged or not) on a group basis. The balance sheet categories in the sample return reflect those used in the MFS1 return. It is not expected that the MFS1 return and gap return figures will necessarily agree because of timing differences and the different bases of their preparation.

10. Suggested time buckets are:

Overnight (for variable items), O/N+ to 3 months, 3 to 6 months, 6 to 12 months, 1 to 2 years, etc to 9 to 10 years, 10 years + and "no specific repricing date".

11. 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 society.

12. On and off balance sheet items should be allocated to the various time buckets in accordance with their repricing date.

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

1 **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.

2. **FRAs:** if a deposit is due to reprice in 3 months' time for 3 months and the society 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 society 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 society 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.

14. Any individual time bucket mismatches exceeding board-approved limits should be highlighted and the society should send, with the return, an explanation of the limit breach and its plan to rectify the situation.

15. Societies should apply cumulative limits to ensure that blocks of time buckets are monitored.

16. Societies should include (where material) a proportion of contracted balance sheet **commitments** (e.g. commitments for mortgage advance or future payments on SAYE/Sharesave accounts) and the corresponding funding requirement. It is considered that the interest rate risks of commitments are too significant to justify their exclusion from the return, even though this results in a return which shows a hybrid, as opposed to a purely static or dynamic, position. The proportion of commitments included in the gap analysis could be justified (for example) by reference to the society's average rate of conversion of commitments into advances. These items should be treated as "forward start" items, with the exposure starting on the estimated completion dates. The overriding criterion for the return is that it looks at a traded basis rather than a settled basis, recognising that the risk occurs at the point of commitment rather than when settlement occurs. If societies wish to isolate commitments for separate analysis, they can show them on a separate row(s) on the return.

BUILDING SOCIETY: MONTHLY GAP RETURN

17. The return also show the impact of three different "parallel across the yield curve" interest rate changes on net interest income. A "parallel across the yield curve" change assumes that a 0.5% rate change causes 6 month and 5 year rates to change by 0.5%. This assumes that short and long positions across different time buckets can be regarded as offsetting positions, i.e. hedging each other. In reality, of course, changes are not parallel and 6 month rates will change by a different amount to 5 year rates. However, the simplification is a fair starting point. If they wish, societies may provide an additional analysis justifying a different yield curve change to their usual supervisory contact at the FSA.

18. An indication of the sensitivity of the society to interest rate changes can be obtained by determining the effect on aggregate net interest income of a range of interest rate changes (+1%, +2%, +3%, -1%, -2%, -3%). The aggregate net interest income for this purpose will comprise the implicit cashflow (discounted to reflect the "time value of money", i.e. more distant flows have less "value" than near flows) arising from an interest rate change for each time bucket and summed for all time buckets. The choice of discount factor will be at the discretion of the society and represents its estimated cost of money, which can be taken to be its weighted average cost of funds. Societies need to take into account the merits of achieving increased accuracy in calculating the discount rate for each time bucket given the other approximations already built in to the return. For example, time buckets over 1 year in the future are of 1 year duration and could conceal significant intra time bucket mismatches, yet these are netted and given a simple average time weighting (e.g. a 1 to 2 year time bucket mismatch is assumed to exist for 1½ years).

19. Only where there are no options in the balance sheet will the aggregate net interest income for an increase in interest rates equate (though be opposite in direction) to that for a fall in interest rates. Where options are in place, not only will be direction of interest rate changes become relevant but also will the size of the change. For example, take the case of minimum guaranteed savings accounts which become fixed rate accounts if interest rates fall: far more accounts will become fixed rate if rates fall by 1.5% rather than by 0.5%. The society's systems will need to cater for these effects.

BUILDING SOCIETY: MONTHLY GAP RETURN

20. 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 FSA 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.

21. Where societies 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. A gap analysis serves as a useful tool to monitor the extent of this mismatch and can act as a trigger for remedial action.

SUP 16 Ann 5R: Investment management firms' reporting forms and requirements applying to their completion

1. Annual Financial Return

2. Quarterly Financial Return

3. Monthly Financial Return

4. Requirements applying to the completion of annual, quarterly and monthly financial returns

Investment Management Firms

Annual Financial Return

For the year ended ______________________

Name of Firm ______________________

FSA firm reference number ______________________

Date of Audit Opinion ______________________

For FSA use

Date received ______________________

Entered ______________________

Completed ______________________

For the period from ______________________ *(date)* to ____________________________ *(date)*

(*Accounting Reference Date*)

	£000	
Dealing Profit/(Loss)		
Dealing profit or (loss) - trading		(1)
Dealing profit or (loss) - long term investments		(2)
Charges on unit trust sales/redemptions		(3)
Total dealing profit or (loss) [(1) to (3)]		(4)
Revenue		
Commission		(5)
Investment management fees		(6)
Investment advisory fees		(7)
Unit trust management fees		(8)
Other revenue		(9)
Total revenue [(5) to (9)]		(10)
Expenditure		
Commissions and fees		(11)
Exceptional items (specify below)		(12)
Other expenditure		(13)
Total expenditure (to AFS5) [(11) to (13)]		(14)
Profit or (loss) on ordinary activities before taxation [(4)+(10)-(14)]		(15)
Taxation		(16)
Extraordinary items net of attributable taxation		(17)
Profit or (loss) after taxation and extraordinary items [(15)-(16)+(17)]		(18)
Appropriations		(19)
Retained profit or (loss) for the period [(18)-(19)]		(20)

Details of exceptional items of expenditure

As at ________________________ (*Accounting Reference Date*)

	£000	
Fixed Assets		
Intangible assets		(21)
Tangible assets		(22)
Investments		(23)
Total fixed assets [(21) to (23)]		(24)
Current Assets		
Investments		(25)
Debtors		(26)
Bank and cash balances		(27)
Total current assets [(25) to (27)]		(28)
Creditors: Amounts falling due within One Year		(29)
Net current assets (liabilities) [(28)-(29)]		(30)
Total assets less current liabilities [(24)+(30)]		(31)
Creditors: Amounts falling due after more than One Year		(32)
Provisions for Liabilities and Charges		(33)
Total assets less total liabilities [(31)-(32)-(33)]		(34)
Capital and Reserves (Indicate constituent items from AFS3)		

Off Balance Sheet Items (detailed below with values) (35)

	£000	£000	
Financial Resources			
Note: *The references in brackets are to the items of capital in Part I of IPRU(INV) Table 5.2.2(1)*			
TIER 1			
Paid up share capital (excluding preference shares) *(Item 1)*			(36)
Share premium account *(Item 2)*			(37)
Audited reserves *(Item 3)*			(38)
Non-cumulative preference shares *(Item 4)*			(39)
Less: Investment in own shares *(Item 5)*			
Intangible assets *(Item 6)*			
Material current year losses *(Item 7)*			
Material holdings in credit and financial institutions *(Item 8)*			(40)
Tier 1 Capital [(36) to (39)-(40)]			(41)
TIER 2			
Revaluation reserves *(Item 9)*			(42)
Fixed term cumulative preference share capital *(Item 10)*			(43)
Long term subordinated loans *(Item 11)*			(44)
Other cumulative preference share capital and debt capital *(Item 12)*			(45)
Qualifying arrangements *(Item 13)*			(46)
Own Funds [(41) + (42) to (46)]			(47)
TIER 3			
Net Trading Book profits *(Item 14)*			(48)
Short term Qualifying Subordinated Loans and excess Tier 2 capital *(Item 15)*			(49)
Less: Illiquid assets *(Item 16)*			(50)
Add: Qualifying Property *(Item 17)*			(51)
Liquid Capital [(47)+(48)+(49)-(50)+(51)]			(52)

	£000	£000	
Own Funds Test *(ISD Firms subject to IPRU(INV) 5.2.3(1)(b)R)*			
Own Funds *(from AFS3 line (47))*			(53)
Own Funds Requirement			
(Euro 50,000 or Euro 125,000 or Euro 730,000) x spot rate			(54)
Surplus/Deficit of Own Funds over Own Funds Requirement [(53)-(54)]			**(55)**
Own-Funds Test *(Non-ISD Firms subject to IPRU(INV) 5.2.3(2)R)*			
Own Funds *(from AFS3 line (47))*			(56)
Own Funds Requirement: either: (i) £5 or			
(ii) £4,000			(57)
Surplus/Deficit of Own Funds [(56)-(57)]			**(58)**
Liquid Capital Test *(Firms subject to IPRU(INV) 5.2.3(1)R)*			
Liquid Capital *(from AFS3 line (52))*			(59)(A)
Capital Requirement:			
Expenditure Based Requirement *(IPRU(INV) Table 5.2.3(5)(a))*			(60)
Position Risk Requirement *(IPRU(INV) Table 5.2.3(5)(b))*			(61)
Counterparty Risk Requirement *(IPRU(INV) Table 5.2.3(5)(c))*			(62)
Foreign Exchange Requirement *(IPRU(INV) Table 5.2.3(5)(d))*			(63)
Other Assets Requirement *(IPRU(INV) Table 5.2.3(5)(e))*			(64)
Total Capital Requirement			(65)(B)
13 weeks Expenditure Based Requirement			(66)(C)
Surplus/Deficit of Liquid Capital			
For an ISD Firm on a 6 week EBR = (A) – the greater of (B) or (C)			(67)
Other Firms = (A) – (B))			(68)

		£000	£000	
Expenditure Based Requirement *(IPRU(INV) Table 5.2.3(5)(a))*				
Total Expenditure (per profit and loss account AFS1 line (14))			______	
Less:	Staff bonus, except to the extent that they are guaranteed	(______)		
	Employees' and Directors' shares in profits, except to the extent that they are guaranteed	(______)		
	Other appropriations of profits	(______)		
	Allowable commission and fees	(______)		
	Interest charges in respect of borrowings made to finance the acquisition of the Firm's Readily Realisable Investments	(______)		
	Interest paid to Customers on Client Money	(______)		
	Interest paid to counterparties	(______)		
	Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions	(______)		
	Foreign exchange losses	(______)		
Audited Expenditure			______	
Annual Audited Expenditure (pro-rated where relevant to annual amount) *(IPRU(INV) 5.2.4(1)(b)R)*			______	
Expenditure Based Requirement (6/52* or 13/52* of Annual Audited Expenditure)			______	(69)
Fraction indicator (6* or 13*)			______	(70)

Note: *The Expenditure Based Requirement calculated above becomes effective from the date on which this Annual Financial Return is approved by the auditor. At all times throughout the period from this date until the next Annual Financial Return is approved, the Firm's Financial Resources must satisfy its Financial Resources Requirement incorporating the above Requirement.*

**Delete whichever is not applicable*

(Not subject to audit)

£000

1. FUNDS UNDER MANAGEMENT

Value of total funds under management
at Accounting Reference Date ______ (71)

2. CLIENT MONEY AND ASSETS

During the period, has the Firm
held Client Money? ** *YES/NO (72)

During the period, has the Firm
held customers' assets? ** *YES/NO (73)

3. OWN ACCOUNT TRADING

Has the Firm traded on its own
account and taken active positions during the period
(other than the box position taken by
an Authorised Unit Trust Manager)? *YES/NO (74)

If yes, give brief details of nature and scale of transactions:

4. LARGE EXPOSURES *(ISD Firms only)*

Provide details of all Large Exposures outstanding at the end of the period (75)

Counterparty	**Value of Exposure**	**Percentage of Own Funds**	**Nature of Item** *(eg Accrued fees, billed fees, settlement balance etc)*

** Delete whichever is not applicable*

*** Consider by reference to Part IV Permission Statement*

This Annual Financial Return has been properly prepared in accordance with the rules,

and was approved by the Firm on .... *(date)*.

It is accompanied by the Annual Accounts and the report of the auditor to the FSA as required by the rules.

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed on behalf of the Firm by:

.... *(authorised signatory)* .... *(date)*

.... *(authorised signatory)* .... *(date)*

Investment Management Firms

Quarterly Financial Return

For the quarter ended ________________________________

Name of firm ________________________________

FSA firm reference number ________________________________

For FSA use

Date received ______________________

Entered ______________________

Completed ______________________

For the period from ____________ *(date)* to ____________ *(date)*

	£000	
Dealing Profit/(Loss)		
Dealing profit or (loss) - trading		(1)
Dealing profit or (loss) - long term investments		(2)
Charges on unit trust sales/redemptions		(3)
Total dealing profit or (loss) [(1)+(2)+(3)]		(4)
Revenue		
Commission		(5)
Investment management fees		(6)
Investment advisory fees		(7)
Unit trust management fees		(8)
Other revenue		(9)
Total revenue [(5) to (9)]		(10)
Expenditure		
Commissions and fees		(11)
Exceptional items (specify below)		(12)
Other expenditure		(13)
Total expenditure [(11) to (13)]		(14)
Profit or (loss) on ordinary activities before taxation [(4)+(10)-(14)]		(15)
Taxation		(16)
Extraordinary items net of attributable taxation		(17)
Profit or (loss) after taxation and extraordinary Items [(15)-(16)+(17)]		(18)
Appropriations		(19)
Retained profit or (loss) for the period [(18)-(19)]		(20)

Details of exceptional items of expenditure

As at ______________________ *(Quarter End Date)*

	£000	
Fixed Assets		
Intangible assets	______	(21)
Tangible assets	______	(22)
Investments	______	(23)
Total fixed assets [(21) to (23)]	______	(24)
Current Assets		
Investments	______	(25)
Debtors	______	(26)
Bank and cash balances	______	(27)
Total current assets [(25) to (27)]	______	(28)
Creditors: Amounts falling due within One Year	______	(29)
Net current assets (liabilities) [(28)-(29)]	______	(30)
Total assets less current liabilities [(24)+(30)]	______	(31)
Creditors: Amounts falling due after more than One Year	______	(32)
Provisions for Liabilities and Charges	______	(33)
Total assets less total liabilities [(31)-(32)-(33)]	______	(34)
Capital and Reserves (Indicate constituent items from QFS3)	______	

Off Balance Sheet Items (detailed below with values)	**(35)**

	£000	£000	
Financial Resources			
Note: *The references in brackets are to the items of capital in Part I of IPRU(INV) Table 5.2.2(1)*			
TIER 1			
Paid up share capital (excluding preference shares) *(Item 1)*			(36)
Share premium account *(Item 2)*			(37)
Audited reserves *(Item 3)*			(38)
Non-cumulative preference shares *(Item 4)*			(39)
Less: Investment in own shares *(Item 5)*			
Intangible assets *(Item 6)*			
Material current year losses *(Item 7)*			
Material holdings in credit and financial institutions *(Item 8)*			(40)
Tier 1 Capital [(36) to (39)-(40)]			(41)
TIER 2			
Revaluation reserves *(Item 9)*			(42)
Fixed term cumulative preference share capital *(Item 10)*			(43)
Long term subordinated loans *(Item 11)*			(44)
Other cumulative preference share capital and debt capital *(Item 12)*			(45)
Qualifying arrangements *(Item 13)*			(46)
Own Funds [(41) + (42) to (46)]			(47)
TIER 3			
Net Trading Book profits *(Item 14)*			(48)
Short term Qualifying Subordinated Loans and excess Tier 2 capital *(Item 15)*			(49)
Less: Illiquid assets *(Item 16)*			(50)
Add: Qualifying Property *(Item 17)*			(51)
Liquid Capital [(47)+(48)+(49)-(50)+(51)]			(52)

	£000	£000	
Own Funds Test *(ISD Firms subject to IPRU(INV) 5.2.3(1)(b)R)*			
Own Funds *(from QFS3 line (47))*			(53)
Own Funds Requirement (Euro 50,000 or Euro 125,000 or Euro 730,000) x spot rate			(54)
Surplus/Deficit of Own Funds over Own Funds Requirement [(53)-(54)]			**(55)**
Own-Funds Test *(Non-ISD Firms subject to IPRU(INV) 5.2.3(2)R)*			
Own Funds *(from QFS3 line (47))*			(56)
Own Funds Requirement: either: (i) £5 or			
(ii) £4,000			(57)
Surplus/Deficit of Own Funds[(56)-(57)]			**(58)**
Liquid Capital Test *(Firms subject to IPRU(INV) 5.2.3(1)R)*			
Liquid Capital *(from QFS3 line (52))*			(59)(A)
Capital Requirement:			
Expenditure Based Requirement *(IPRU(INV) Table 5.2.3(5)(a))*			(60)
Position Risk Requirement *(IPRU(INV) Table 5.2.3(5)(b))*			(61)
Counterparty Risk Requirement *(IPRU(INV) Table 5.2.3(5)(c))*			(62)
Foreign Exchange Requirement *(IPRU(INV) Table 5.2.3(5)(d))*			(63)
Other Assets Requirement *(IPRU(INV) Table 5.2.3(5)(e))*			(64)
Total Capital Requirement			(65)(B)
13 weeks Expenditure Based Requirement			(66)(C)
Surplus/Deficit of Liquid Capital			
For an ISD Firm on a 6 week EBR = (A) – the greater of (B) or (C)			(67)
Other Firms = (A) – (B)			(68)

£000

1. FUNDS UNDER MANAGEMENT

Value of total funds under management
at Quarter End Date ________ (69)

2. CLIENT MONEY AND ASSETS

During the period, has the Firm
held Client Money? ** *YES/NO (70)

During the period, has the Firm
held customers' assets? ** *YES/NO (71)

3. OWN ACCOUNT TRADING

Has the Firm traded on its own
account and taken active positions during the period
(other than the box position taken by an Authorised Unit Trust Manager)? *YES/NO (72)

If yes, give brief details of nature and scale of transactions:

4. LARGE EXPOSURES *(ISD Firms only)*

Provide details of all Large Exposures outstanding at the end of the period (73)

Counterparty	Value of Exposure	Percentage of Own Funds	Nature of Item *(eg Accrued fees, billed fees, settlement balance etc)*

* *Delete whichever is not applicable*

** *Consider by reference to Part IV Permission Statement*

1. Is the Firm able, and will it be able for the foreseeable future, to meet all of its liabilities as they fall due for payment? *YES/NO

2. Have the Firm's Financial Resources been greater than its Financial Resources Requirement throughout the Quarter? *YES/NO

We confirm that:

(i) The Firm's Financial Resources have been properly calculated in accordance with the Financial resources rules.

(ii) All matters (including contingent liabilities, claims and litigation) which might reasonably be expected to have a material effect on the Firm's financial position at the date of submission of these statements have been declared herewith or notified in writing to the FSA.

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed .... Date ....

(Finance Officer or appointed deputy)

Signed .... Date ....

(Second authorised signatory)

* *Delete whichever is not applicable*

FSA

Investment Management Firms

Monthly Financial Return

For the month ended ________________________________

Name of firm ________________________________

FSA firm reference number ________________________________

For FSA use

Date received ______________________

Entered ______________________

Completed ______________________

For the period from ____________________ *(date)* to ______________________________ *(date)*

	£000	
Dealing Profit/(Loss)		
Dealing profit or (loss) - trading		(1)
Dealing profit or (loss) - long term investments		(2)
Charges on unit trust sales/redemptions		(3)
Total dealing profit or (loss) [(1)+(2)+(3)]		(4)
Revenue		
Commission		(5)
Investment management fees		(6)
Investment advisory fees		(7)
Unit trust management fees		(8)
Other revenue		(9)
Total revenue [(5) to (9)]		(10)
Expenditure		
Commissions and fees		(11)
Exceptional items (specify below)		(12)
Other expenditure		(13)
Total expenditure [(11) to (13)]		(14)
Profit or (loss) on ordinary activities before taxation [(4)+(10)-(14)]		(15)
Taxation		(16)
Extraordinary items net of attributable taxation		(17)
Profit or (loss) after taxation and extraordinary Items [(15)-(16)+(17)]		(18)
Appropriations		(19)
Retained profit or (loss) for the period [(18)-(19)]		(20)

Details of exceptional items of expenditure

As at ______________________ *(Month End Date)*

	£000	
Fixed Assets		
Intangible assets		(21)
Tangible assets		(22)
Investments		(23)
Total fixed assets [(21)to(23)]		(24)
Current Assets		
Investments		(25)
Debtors		(26)
Bank and cash calances		(27)
Total current assets [(25) to (27)]		(28)
Creditors: Amounts falling due within One Year		(29)
Net current assets (liabilities) [(28)-(29)]		(30)
Total assets less current liabilities [(24)+(30)]		(31)
Creditors: Amounts falling due after more than One Year		(32)
Provisions for Liabilities and Charges		(33)
Total assets less total liabilities [(31)-(32)-(33)]		(34)
Capital and Reserves (Indicate constituent items from MFS3)		

Off Balance Sheet Items (detailed below with values) **(35)**

	£000	£000	
Financial Resources			
Note: *The references in brackets are to the items of capital in Part I of IPRU(INV) Table 5.2.2(1)*			
TIER 1			
Paid up share capital (excluding preference shares) *(Item 1)*			(36)
Share premium account *(Item 2)*			(37)
Audited reserves *(Item 3)*			(38)
Non-cumulative preference shares *(Item 4)*			(39)
Less: Investment in own shares *(Item 5)*			
Intangible assets *(Item 6)*			
Material current year losses *(Item 7)*			
Material holdings in credit and financial institutions *(Item 8)*			(40)
Tier 1 Capital [(36) to (39)-(40)]			(41)
TIER 2			
Revaluation reserves *(Item 9)*			(42)
Fixed term cumulative preference share capital *(Item 10)*			(43)
Long term subordinated loans *(Item 11)*			(44)
Other cumulative preference share capital and debt capital *(Item 12)*			(45)
Qualifying arrangements *(Item 13)*			(46)
Own Funds [(41) + (42) to (46)]			(47)
TIER 3			
Net Trading Book profits *(Item 14)*			(48)
Short term Qualifying Subordinated Loans and excess Tier 2 capital *(Item 15)*			(49)
Less: Illiquid assets *(Item 16)*			(50)
Add: Qualifying Property *(Item 17)*			(51)
Liquid Capital [(47)+(48)+(49)-(50)+(51)]			(52)

	£000	£000	
Own Funds Test *(ISD Firms subject to IPRU(INV) 5.2.3(1)(b)R)*			
Own Funds *(from MFS3 line (47))*		______	(53)
Own Funds Requirement			
(Euro 730,000) x spot rate	______		(54)
Surplus/Deficit of Own Funds over Own Funds Requirement [(53)-(54)]		______	**(55)**
Own-Funds Test *(Non-ISD Firms subject to IPRU(INV) 5.2.3(2)R)*			
Own Funds *(from MFS3 line (47))*		______	(56)
Own Funds Requirement: either: (i) £5 or	______		
(ii) £4,000	______		(57)
Surplus/Deficit of Own Funds [(56)-(57)]		______	**(58)**
Liquid Capital Test *(Firms subject to IPRU(INV) 5.2.3(1)R)*			
Liquid Capital *(from MFS3 line (52))*		______	(59)(A)
Capital Requirement:			
Expenditure Based Requirement *(IPRU(INV) Table 5.2.3(5)(a))*	______		(60)
Position Risk Requirement *(IPRU(INV) Table 5.2.3(5)(b))*	______		(61)
Counterparty Risk Requirement *(IPRU(INV) Table 5.2.3(5)(c))*	______		(62)
Foreign Exchange Requirement *(IPRU(INV) Table 5.2.3(5)(d))*	______		(63)
Other Assets Requirement *(IPRU(INV) Table 5.2.3(5)(e))*	______		(64)
Total Capital Requirement		______	(65)(B)
13 weeks Expenditure Based Requirement		______	(66)(C)
Surplus/Deficit of Liquid Capital			
For an ISD Firm on a 6 week EBR = (A) – the greater of (B) or (C)		______	(67)
Other Firms = (A) – (B))		______	(68)

£000

1. FUNDS UNDER MANAGEMENT

Value of total funds under management
at Month End Date ________ (69)

2. CLIENT MONEY AND ASSETS

During the period, has the Firm
held Client Money? ** *YES/NO (70)

During the period, has the Firm
held customers' assets? ** *YES/NO (71)

3. OWN ACCOUNT TRADING

Has the Firm traded on its own
account and taken active positions during the period
(other than the box position taken by an Authorised Unit Trust Manager)? *YES/NO (72)

If yes, give brief details of nature and scale of transactions:

** Delete whichever is not applicable*

*** Consider by reference to Part IV Permission Statement.*

1.	Is the Firm able, and will it be able for the foreseeable future, to meet all of its liabilities as they fall due for payment?	*YES/NO
2.	Have the Firm's Financial Resources been greater than its Financial Resources Requirement throughout the Month?	*YES/NO

We confirm that:

(i) The Firm's Financial Resources have been properly calculated in accordance with the Financial resources rules.

(ii) All matters (including contingent liabilities, claims and litigation) which might reasonably be expected to have a material effect on the Firm's financial position at the date of submission of these statements have been declared herewith or notified in writing to the FSA.

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed .... Date ....

(Finance Officer or appointed deputy)

Signed .... Date ....

(Second authorised signatory)

* *Delete whichever is not applicable*

Section 4: Investment management firms: requirements applying to the completion of annual, quarterly and monthly financial returns

1 Table

(see *SUP* 16.7.38R)

1.1.1	(1)	Financial Returns must be in agreement with the underlying accounting records.
	(2)	Accounting policies must be consistent with those adopted in the Annual Accounts and must be consistently applied.
	(3)	Information required in the Annual, Quarterly and Monthly Financial Returns must be prepared in accordance with generally accepted accounting practice.
	(4)	Investments (other than investments in *subsidiary* and related *companies*) must be included in the balance sheet at cost or market value (or the *directors'* estimate of them).
	(5)	The Financial Returns of an individual (or individuals in partnership or association) must deal only with his *regulated activities* (or, in the case of individuals in *partnership* or association, the business of the *partnership* or association).
	(6)	The Financial Return of a *firm* must not give a misleading impression of the *firm*.
1.1.2	A Financial Return is likely to give a misleading impression if a *firm* wrongly omits or includes a material item, or presents a material item in the wrong way.	

Form 1R (1) **SUP 16 Ann 6R**

Persistency Report

To be submitted by 30 April each year to the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Name of Firm: ………………………………………… Firm Reference Number : ……………

Regular Premium Policies / Single Premium Policies : …………………………………….

Ordinary Assurance Policies / Industrial Assurance Policies : ………………………..….

Year in which Policies Effected: …………………………………………

12 Month Report / 24 Month Report / 36 Month Report / 48 Month Report : …………………….

Policies promoted through:	Representative			Independent intermediary		
Policy Type	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate
Endowment Assurance						
Whole Life Assurance						
Personal Pension Policy						
Other Pension Policy						
Other Life Assurance						
Income Withdrawal						
Group Personal Pension policy						
Insurance ISA						

Policies promoted through	Direct offer financial promotion			Other		
Policy Type	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate
Endowment Assurance						
Whole Life Assurance						
Personal pension policy						
Other Pension Policy						
Other Life Assurance						
Income Withdrawal						
Group Personal Pension policy						
Insurance ISA						

Guidance notes to persistency report

Please provide (either below or on a separate sheet of paper):

- details of any alternative approaches used to calculate figures if this is permitted by the rules in *SUP* 16.8;
- a note of any types of policy for which no figures have been submitted (including any types to be reported on in Forms 1R(2) and 1R(3));
- a brief explanation of the effects of inaccuracies on the figures for previous years which have already been supplied; and
- confirmation that regular premium life policies have only been treated as in force if a premium has been received on or after the relevant policy anniversary.

Expressions which are defined in the Handbook Glossary, or in *SUP* 16.8, have the same meanings in this form.

Signature and declaration

Knowingly or recklessly giving the *FSA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FSA* and to notify the *FSA* immediately if materially inaccurate information has been provided. *SUP* 16.3.11R requires an *authorised person* to submit reports containing all the information required. *APER* 4.4.6E provides that, where an *approved person* is responsible for reporting matters to the *FSA*, failure to inform the *FSA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FSA*. It should not be assumed that information is known to the *FSA* merely because it is in the public domain or has previously been disclosed to the *FSA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Form submitted by (BLOCK CAPITALS): ………………………………………..

The following person should be able to assist the FSA with any queries that may arise:

Name: ………………………………………..   Title: …………………………………..

Address: ………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Telephone Number:…………………………..   e-mail: ………………………………..

Form 1R(2) **SUP 16 Ann 6R**

Persistency Report - short term endowments/ assurance

To be submitted by 30 April each year to the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Name of Firm: …………………………………………………………………. ….

Firm Reference Number : …………………………………………………

Regular Premium Policies / Single Premium Policies: …………………………………………….

Ordinary Branch Policies / Industrial Branch Policies: …………………………………………….

Year in which Policies Effected: ………………………………………..

12 Month / 24 Month / 36 Month / 48 Month report: ……………….

	Representative			Independent intermediary		
Endowment assurance term	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate
2 (&<3) year term						
3 (&<4) year term						
4 (&<5) year term						
under 5 year total						

	Direct offer financial promotion			Other		
Endowment assurance term	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate	Number effected during the year (CC)	Number in force at end of Y-1 (CF)	Persistency rate
2 (&<3) year term						
3 (&<4) year term						
4 (&<5) year term						
under 5 year total						

Expressions which are defined in the Handbook Glossary, or in *SUP* 16.8, have the same meanings in this form.

Signature and declaration

Knowingly or recklessly giving the *FSA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FSA* and to notify the *FSA* immediately if materially inaccurate information has been provided. *SUP* 16.3.11R requires an *authorised person* to submit reports containing all the information required. *APER* 4.4.6E provides that, where an *approved person* is responsible for reporting matters to the *FSA*, failure to inform the *FSA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FSA*. It should not be assumed that information is known to the *FSA* merely because it is in the public domain or has previously been disclosed to the *FSA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Form submitted by (BLOCK CAPITALS): ……………………………………..

The following person should be able to assist the FSA with any queries that may arise:

Name: ……………………………………..   Title: …………………………………..

Address: ………………………………………………………………………………

……………………………………………………………………………………….

……………………………………………………………………………………….

Telephone Number:…………………………..   e-mail: ………………………………..

Form 1R (3) **SUP 16 Ann 6R**

Persistency Report – Contribution Holidays

To be submitted by 30 April each year to the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Name of Firm: …………………………………………………………..

Firm Reference Number *:* ………………………… Year in which Policies Effected*:* ………………………

12 Month Report/24 Month Report/36 Month Report/48 Month Report: …………………………………..

Policies promoted through:	Representative			Independent intermediary		
Policy Type	Number effected during the year (CC)	Number subject to contribution holiday at end of Y-1 (CH)	Holiday factor (CH/CC)	Number effected during the year (CC)	Number subject to contribution holiday at end of Y-1 (CH)	Holiday factor (CH/CC)
Endowment Assurance						
Whole Life Assurance						
Personal Pension Policy						
Other Pension Policy						
Other Life Assurance						
Income Withdrawal	N/a	N/a	N/a	N/a	N/a	N/a
Group Personal Pension policy						
Insurance ISA						

Policies promoted through:	Direct offer financial promotion			Other		
Policy Type	Number effected during the year (CC)	Number subject to contribution holiday at end of Y-1 (CH)	Holiday factor (CH/CC)	Number effected during the year (CC)	Number subject to contribution holiday at end of Y-1 (CH)	Holiday factor (CH/CC)
Endowment Assurance						
Whole Life Assurance						
Personal pension policy						
Other Pension Policy						
Other Life Assurance						
Income Withdrawal						
Group Personal Pension policy						
Insurance ISA						

Expressions which are defined in the Handbook Glossary, or in *SUP* 16.8, have the same meanings in this form.

Signature and declaration

Knowingly or recklessly giving the *FSA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FSA* and to notify the *FSA* immediately if materially inaccurate information has been provided. *SUP* 16.3.11R requires an *authorised person* to submit reports containing all the information required. *APER* 4.4.6E provides that, where an *approved person* is responsible for reporting matters to the *FSA*, failure to inform the *FSA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FSA*. It should not be assumed that information is known to the *FSA* merely because it is in the public domain or has previously been disclosed to the *FSA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that I have read the Guidance Notes to this form.

Form submitted by (BLOCK CAPITALS): ………………………………………..

The following person should be able to assist the FSA with any queries that may arise:

Name: ………………………………………..   Title: …………………………………..

Address: ………………………………………………………………………………………

……………………………………………………………………………………………….

……………………………………………………………………………………………….

Telephone Number:…………………………..   e-mail: ………………………………..

SUP 16 Ann 7R: Personal investment firms' reporting forms and requirements applying to their completion

1. Annual questionnaire for Category A2, A3, B2 and B3 personal investment firms

2. Annual questionnaire for small personal investment firms

3. Schedule 13A: Financial reporting forms for Category A personal investment firms

4. Schedule 13B: Financial reporting forms for Category B personal investment firms

5. Personal investment firms: requirements applying to the completion of reports

6. Consolidated financial resources return for personal investment firms

(for FSA use only)

Annual questionnaire

for Category A2, A3, B2 and B3 personal investment firms

(except for low resource firms as defined in IPRU(INV) 13)

FSA Handbook Reference: SUP 16 Annex 7(1)R

September 2001

Name of firm	
FSA firm reference number	
Category	
Accounting reference date	

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom
Telephone +44 (0) 20 7676 1000
Website http://www.fsa.gov.uk

Notes

Please read the following notes before completing the questionnaire.

Completing this form

The Form must be completed in black ink and (if in manuscript) in BLOCK LETTERS.

All dates should be provided in numeric form (e.g. 29/02/2000 for 29 February 2000).

The form must be submitted to your usual supervisory contact within **TWO MONTHS** of the accounting reference date to which it relates.

The questionnaire is split into two parts.

Category A3 and **B3** firms must complete the whole form.

Category A2 and **B2** firms must complete Section 1 and the Declaration.

Declaration

The declaration must be signed as follows:

(i) if the firm is a **sole trader**, by that person.

(ii) if the firm is a **partnership**, by two partners.

(iii) if the firm is a **company**, by two directors. If the firm has only one director, by the director and the Company Secretary.

PLEASE RETURN COMPLETED FORM TO:

THE FINANCIAL SERVICES AUTHORITY
25 THE NORTH COLONNADE
CANARY WHARF
LONDON E14 5HS
UNITED KINGDOM

This section must be completed by all Category A2, B2, A3 and B3 firms

1.01	Have you received any written complaints in respect of your regulated activities?	YES ☐ NO ☐
	If YES, please summarise	
1.02	During the period has more than 20% of new business commission been generated from one company?	YES ☐ NO ☐
	If YES, please identify the company or companies concerned and give an explanation	
1.03	During the period did you receive 20% or more of your commission income from one company in respect of single premium bonds or-unit trusts or investment trusts (including those within ISAs)?	YES ☐ NO ☐
	If YES, please identify the company or companies concerned and give an explanation	
1.04	During the period have you been asked to pay or have you repaid indemnity commissions?	YES ☐ NO ☐
	Does this repayment represent more than 5% of your commission income received on indemnity terms?	YES ☐ NO ☐

1.05 During the period have you advised any of your clients to discontinue regular premiums on any life policy or pension contract and substituted any similar contract?

YES ☐ NO ☐

If YES, please give details

1.06 Are there any outstanding legal proceedings against you or any approved persons of yours or of your appointed representatives?

YES ☐ NO ☐

If YES, please provide details, including all parties involved; amount(s) involved; reason for the proceedings; (if you expect to settle the dispute) the likely date of settlement; and the date the proceedings (if not settled) are expected to be heard

1.07 Have all terminated contracts of registered individuals or appointed representatives been notified to FSA?

YES ☐ NO ☐

If NO, please explain

1.08 Have all notifiable matters relating to changes of control, partners, directors, auditors and accounting reference date been notified to FSA?

YES ☐ NO ☐

If NO, please explain

1.09	Have you complied with the rules relating to complaints procedures as set out in DISP Chapter 1?	YES ☐ NO ☐

If NO, please explain

1.10 a	Does any life office or collective investment operator own more than 5% of your share capital?	YES ☐ NO ☐

If YES, please give details

b	Has any life office or collective investment operator provided unsecured loans or any other benefit to you?	YES ☐ NO ☐

If YES, please give details

These questions must be answered by Category A3 and B3 firms ONLY

2.01 Have you received, during the period, any cash or cheques made out to you, in error, which should have been made out to a third party?

YES ☐ NO ☐

If YES, please give details of the action you have taken in each case

2.02 Have you held any certificates relating to the clients' investments for more than four weeks?

YES ☐ NO ☐

If YES, please explain

2.03 a What was your turnover (commission, fees, interest etc) from business activities?

£

b Did this exceed expenditure (excluding expenditure on purchase of fixed assets) — i.e. has a profit resulted for the period under review?

YES ☐ NO ☐

If NO, please forward an explanation supported by your most recent Profit and Loss Account and Balance Sheet

2.04 What proportion of that income is generated by non-regulated activities?

%

Please provide details

2.05 **a** Have you maintained accounting and other records in accordance with IPRU(INV) 13.1.11R?

YES ☐ NO ☐

If NO, please provide explanations

b Have you maintained records which are sufficient to enable the FSA to verify the calculations you have prepared to support your Financial Declaration?

YES ☐ NO ☐

If NO, please explain

2.06 **In the case of incorporated businesses only**, have the most recent statutory accounts which are due been prepared and submitted in accordance with the Companies Acts timetable?

YES ☐ NO ☐

If NO, please explain

2.07 **In the case of incorporated businesses only**, did the audit opinion given in respect of the most recent set of statutory accounts contain any qualification?

YES ☐ NO ☐

If YES, please explain

2.08 Has the firm undertaken any transaction in respect of the following investments?:

a equities/gilts

YES ☐ NO ☐

b BES/PETs

YES ☐ NO ☐

c other notifiable transactions

YES ☐ NO ☐

Declaration

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Name of firm	
FSA firm reference number	

Name of first signatory	
Signature	
Position	
Date	

Name of second signatory	
Signature	
Position	
Date	

Annual financial declaration

A IN THE CASE OF A **SOLE TRADER:**

I certify that to the best of my knowledge and belief I can meet my liabilities, both personal and those relating to my business activities, as they fall due.

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

B IN THE CASE OF A **PARTNERSHIP** OR **INCORPORATED BUSINESS**:

We certify that to the best of our knowledge and belief the partnership/company can meet its liabilities as they fall due.

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Name of firm	
FSA firm reference number	

Name of first signatory	
Signature	
Position	
Date	

Name of second signatory	
Signature	
Position	
Date	

(for FSA use only)

Annual questionnaire

for small personal investment firms

FSA Handbook Reference: SUP 16 Annex 7(2)R

September 2001

Name of firm	
FSA firm reference number	
Accounting reference date	

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom
Telephone +44 (0) 20 7676 1000
Website http://www.fsa.gov.uk

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Notes

Please read the **GUIDANCE NOTES** before completing the questionnaire.

Small personal investment firms is defined in the Glossary of the FSA Handbook.

Completing this form

The form must be completed in black ink and (if in manuscript) in BLOCK LETTERS.

All dates should be provided in numeric form (e.g. 29/02/2000 for 29 February 2000).

The form must be submitted to your usual supervisory contact within **FOUR MONTHS** of the accounting reference date to which it relates.

Part 1 must be answered by all firms which have not enclosed accounts made up at the accounting reference date in accordance with the format specified by the FSA in the guidance notes.

Part 2 must be answered by all firms

Part 3 must be answered by incorporated businesses only

Part 4 must be answered by unincorporated businesses only

Declaration

In accordance with SUP 16 Ann7R (Section 5, Table 2R) the declaration must be signed as follows:

(i) if the firm is a **sole trader**, by that person.

(ii) if the firm is a **partnership**, by two partners.

(iii) if the firm is a **company**, by two directors. If the firm has only one director, by the director and the Company Secretary.

PLEASE RETURN COMPLETED FORM TO:

THE FINANCIAL SERVICES AUTHORITY
25 THE NORTH COLONNADE
CANARY WHARF
LONDON E14 5HS
UNITED KINGDOM

Part 1

You need not answer these questions if you have enclosed accounts in the format specified by the FSA in the Guidance Notes

1	a	What was the total turnover from the business activities of the firm during the period?	£
	b	Have there been any significant changes in the composition of turnover compared with the previous period?	YES ☐ NO ☐
		If YES, please explain	
	c	What proportion of the turnover was generated by business which the FSA does not regulate?	%
		Please provide details	
2		Has there been any material change in the firmÕs financial position during the period?	YES ☐ NO ☐
		If YES, please give details	

3 Please provide the following details:

a	The firm's bank position at the accounting reference date	
b	Any major fixed asset additions or disposals during the period	
c	The major creditors at the accounting reference date, together with payment terms	

These questions must be answered by all firms

4 Does the firm have, and has it had **at all times** during the period, own funds of at least £10,000 as required by IPRU(INV) 13.10.1R? YES ☐ NO ☐

If NO, please explain

5 Is the firm able, and has it been able **at all times** during the period, to meet its liabilities as they fall due, as required by IPRU(INV)13.1.2(2)? YES ☐ NO ☐

If NO, please explain

6 a Has the firm maintained accounting and other records in accordance with IPRU(INV)13.1.11R and SYSC 3.2.20R? YES ☐ NO ☐

If NO, please explain

b Has the firm maintained records to enable the FSA to verify the calculations prepared to support the financial declarations made in response to questions 4 and 5 above? YES ☐ NO ☐

If NO, please explain

7 Has more than 20 per cent of new business commission been generated from any one product provider during the period? YES ☐ NO ☐

		If YES, please identify the company or companies concerned together with the percentage and give an explanation	
8		Has the firm been asked to repay or has it repaid indemnity commission during the period?	YES ☐ NO ☐
		If YES, do these requests for repayment represent more than 5 per cent of the firm's commission income received on indemnity terms during the period?	YES ☐ NO ☐
		If YES, please provide an explanation and details of the proportion of commission income received on indemnity terms which the repayments represent and whether these amounts have been repaid.	
9	a	How many complaints has the firm received during the period?	
	b	Has the firm complied with the requirements relating to complaints procedures as set out in DISP Chapter 1?	YES ☐ NO ☐
		If NO, please explain	

10		Are there outstanding, or have there been at any time during the period, any legal proceedings against the firm, its principals or any of its appointed representatives?	YES ☐ NO ☐

If YES, please give details

11		Has the firm received, during the period, any cash or cheques made out to it, which should have been made out to a third party?	YES ☐ NO ☐

If YES, please give details of the action taken in each case

12		Has the firm held any client title documents or other assets belonging to clients(other than client money) for more than four weeks?	YES ☐ NO ☐

If YES, please explain

13	**a**	Have the firmÕs investment business activities during the period been such that it has engaged in business outside its permission?	YES ☐ NO ☐

If YES, please explain

13	**b**	Does the firm have any close links with other persons which have not previously been notified to the FSA?	YES ☐ NO ☐

If YES, please provide details

14		Has the firm complied with the requirements relating to training and competence as set out in the Training and Competence Sourcebook?	YES ☐ NO ☐

If NO, please provide details

This question must be answered by incorporated businesses only

15 a Have the most recent statutory accounts been prepared and submitted to the Registrar of Companies in accordance with the Companies Act timetable? YES ☐ NO ☐

If NO, please explain

b Did the audit opinion given in respect of the most recent set of statutory accounts contain any qualification or include any reference to a fundamental uncertainty? YES ☐ NO ☐

If YES, please provide a copy of these accounts and the audit report.

c Is the firm a holding company or is any of its qualifying holders a company? YES ☐ NO ☐

If YES, please submit with this questionnaire, in accordance with SUP 16.7.49R, a copy of the latest available audited, consolidated annual financial statements for the group and an organisation chart, tracing the route to the ultimate qualifying holder or holders.

If the required documents are not being submitted, please explain

d Has the firm received an auditorÕs report to management during the period? YES ☐ NO ☐

If YES, has the firm promptly informed the FSA of anything in that report, which relates to the firm, and of which the FSA would reasonably expect prompt notice (see SUP 15.3.8G(2))? YES ☐ NO ☐

If NO, please explain

These questions must be answered by unincorporated businesses only

16 a If the firm is a **sole trader**

(i) Does the total of your personal and business assets exceed the total of your personal and business liabilities? YES ☐ NO ☐

(ii) Will you be able to meet those liabilities as they fall due? YES ☐ NO ☐

If the answer to either question is NO, please explain

b If the firm is a **partnership**

(i) Do the personal assets of each individual partner exceed his or her personal liabilities? YES ☐ NO ☐

(ii) Will they be able to meet those liabilities as they fall due? YES ☐ NO ☐

If the answer to either question is NO, please explain

c In confirming the statement of solvency in question 16(a) or 16(b), has the firm applied the accounting principles set out in SUP 16 Ann7R (Section 5, Table 1R) (excluding paragraph 2) and included as a liability a provision for taxation on the whole of its profits up to the date when the last balance sheet was prepared? YES ☐ NO ☐

If NO, please explain

17 If the firm is a **sole trader**, has it reviewed its arrangements, and the arrangements of its appointed representatives, as required by SYSC 3.2.19G, to ensure that they remain effective to safeguard the interests of customers in the event of the absence, illness, disability or death of any essential member of its staff?

YES ☐ NO ☐

If YES, please provide details of any change in the arrangements or confirm that no changes are required

If NO, please explain

Declaration

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief, and that I have read the Guidance Notes to this form.

Name of firm	
FSA firm reference number	

Name of first signatory	
Signature	
Position	
Date	

Name of second signatory	
Signature	
Position	
Date	

Schedule 13A

Financial reporting forms for Category A personal investment firms

FSA Handbook reference SUP 16 Annex 7(3) R

September 2001

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom
Telephone +44 (0) 20 7676 1000
Facsimile +44 (0) 20 7676 1099
Website http://www.fsa.gov.uk

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Balance sheet – Category A firms — Form 13A

As at ____________________ (accounting reference date)

		£
A	**FIXED ASSETS**	
1	Intangible assets	
2	Tangible assets	
3	Investments	
4	TOTAL FIXED ASSETS	
B	**CURRENT ASSETS**	
1	Physical stocks	
2	Amounts due from group companies	
3	Amounts due from other connected persons (including Appointed Representatives)	
4	Other debtors	
5	Investments - long positions	
6	Cash at bank and in hand	
7	Prepayments and accrued income	
8	TOTAL CURRENT ASSETS	
C	**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**	
1	Trade creditors	
2	Investments - short positions	
3	Loans and overdrafts	
4	Taxation	
5	Amounts due to group companies	
6	Amounts due to other connected persons (including Appointed Representatives)	
7	Obligations under finance leases	
8	Other creditors	
9	Accruals and deferred income	
10	TOTAL CREDITORS FALLING DUE WITHIN ONE YEAR	
D	NET CURRENT ASSETS **(B8 - C10)**	
E	**TOTAL ASSETS LESS CURRENT LIABILITIES (A4 + D)**	

As at ____________________ (accounting reference date)	£
F CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	
1 Loans	
2 Taxation	
3 Amounts due to group companies	
4 Amounts due to other connected persons	
5 Obligations under finance leases	
6 Other creditors	
7 Accruals and deferred income	
8 TOTAL CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	
G PROVISIONS FOR LIABILITIES AND CHARGES	
1 Commission on indemnity terms	
2 Provisions for pension opt-outs and transfers	
3 Taxation including deferred taxation	
4 Other provisions	
5 TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	
H TOTAL ASSETS LESS TOTAL LIABILITIES (E - F8 - G5)	
I CAPITAL AND RESERVES	
1 Called up share capital	
2 Share premium account	
3 Proprietor's or partners' capital accounts	
4 Proprietor's or partners' current accounts	
5 Revaluation reserve	
6 Other reserves	
7 Profit and loss account - prior year	
- current year	
8 TOTAL CAPITAL AND RESERVES	

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

The financial statements set out on pages ____ to ____

were approved on ____________________ (date)

____________________________________ (signature)
(proprietor/partner/director)

____________________________________ (signature)
(partner/director)

Profit and loss account — Form 13Bi

For the period from _______________ (date) to _______________ (date)

			£
A		**REVENUE**	
I		**Commissions on transactions in:**	
	1	Collective investment schemes	
	2	Life assurance policies	
		(a) on indemnity terms	
		(b) other initial commission	
		(c) renewal commission	
	3	Direct investments	
	4	Other - please specify	
II		**Investment management fees**	
III		**Fees for investment advice**	
IV		**Interest and dividends**	
	1	Investments	
	2	Loan accounts	
	3	In respect of client bank accounts	
	4	Other - please specify	
V		**Exceptional items - please specify**	
VI		**Other revenue - please specify**	
VII		**TOTAL REVENUE**	
B		**TOTAL EXPENDITURE (see XII on Form 13Bii)**	
C		**PROFIT BEFORE TAXATION (A VII – B)**	
D		**TAXATION**	
E		**EXTRAORDINARY ITEMS** - please give details	
F		**PROFIT FOR THE PERIOD (C - D - E)**	
G		**DISTRIBUTIONS**	
I		Dividends	
II		Proprietor's/partners' drawings - please specify	
III		Other - please specify	
H		**RETAINED PROFIT OR LOSS FOR THE PERIOD (F - G)**	

Profit and loss account (Details of expenditure) — Form 13Bii

For the period from _______________ (date) to _______________ (date)

			£
B		**TOTAL EXPENDITURE**	
I		**Shared commissions paid**	
	1	attributable directly to commissions received	
	2	not attributable directly to commissions received	
II		**Salaries and other employment costs**	
III		**Directors' or partners' emoluments**	
IV		**Staff bonuses**	
V	**1**	Employees' and directors' shares in profits	
	2	Other appropriations of profits	
VI		**Interest charges**	
	1	Payable to clients in respect of client money balances	
	2	Payable to counterparties	
	3	Subordinated loans	
	4	Other loans	
	5	Bank overdrafts	
	6	Other - please specify	
VII		**Audit fees**	
VIII		**Other professional charges**	
IX		**Regulatory fees and expenses**	
X		**Other expenditure**	
	1	Establishment costs	
	2	Communications and marketing	
	3	Office equipment and services	
	4	Depreciation	
	5	Other office expenses	
	6	Provision for losses	
	7	Bad and doubtful debts	
	8	Provision for pension transfer compensation	
	9	Professional indemnity insurance	
	10	Customers' claims and compensation - please give details	
	11	Other claims - please give details	
	12	Management fees payable to connected companies	
	13	Fees, brokerage to clearing houses etc	
	14	Foreign exchanges losses	
	15	Other expenses - please give details	
XI		**Exceptional items - please give details**	
XII		**TOTAL EXPENDITURE**	

Statement of own-funds (incorporated firms) — Form 13Ci

FINANCIAL RESOURCES TEST 1 As at ____________________ (accounting reference date)		Admissible amount £
1 Paid-up ordinary share capital		
2 Share premium account		
3 Audited reserves (excluding revaluation reserves) and verified interim net profits		
4 Non-cumulative preference shares (if not redeemable by shareholders within 5 years)		
INITIAL CAPITAL	(1+2+3+4)	**A**
7 Investments in own shares		
8 Intangible assets		
9 Material current year losses		
10 Material holdings in credit and financial institutions		
	(7+8+9+10)	**B**
ORIGINAL OWN FUNDS	(A-B)	**C**
12 Revaluation reserves*		
13 Cumulative preference share capital (if not redeemable by shareholders within 5 years)*		
14 Long-term subordinated loans*		
15 Preference share capital (if not redeemable by shareholders within 2 years) and debt capital*		
OWN FUNDS	(C+12+13+14+15)	
OWN FUNDS REQUIREMENT 50,000 ECU / 125,000 ECU / 730,000 ECU converted to sterling at________________(rate) (if IPRU(INV) 13.3.3R applies then replace with highest reference level)		
OWN FUNDS SURPLUS/(DEFICIT)		

* these items may be restricted in accordance with IPRU(INV) Table 13.3.2(2)

Statement of own-funds (unincorporated firms) — Form 13Cii

			Admissible amount £
	FINANCIAL RESOURCES – TEST 1 As at ____________________ (accounting reference date)		
	Balances on proprietor's or partners'		
5	Capital accounts		
6	Current accounts (to the extent that the profits are audited and interim net profits are verified)		
	INITIAL CAPITAL	(5+6)	**A**
8	Intangible assets		
9	Material current year losses		
10	Material holdings in credit and financial institutions		
11	Excess of current year drawings over current year profits		
		(8+9+10+11)	**B**
	ORIGINAL OWN FUNDS	(A-B)	**C**
12	Revaluation reserves*		
14	Long-term subordinated loans*		
	OWN FUNDS	(C+ 12+14)	
	OWN FUNDS REQUIREMENT 50,000 ECU / 125,000 ECU / 730,000 ECU converted to sterling at______________ (rate) (If IPRU(INV) 13.3.3R applies then replace with highest reference level)		
	OWN FUNDS SURPLUS/(DEFICIT)		

* these items may be restricted in accordance with IPRU(INV) Table 13.3.2(2)

NET CURRENT ASSETS TEST

As at ____________________ (accounting reference date)

			£
	ADJUSTED NET CURRENT ASSETS	(IPRU(INV) 13.4)	
	NET CURRENT ASSETS	(D in Form 13A)	
	ADJUSTMENTS		
1	Long term assets	(IPRU(INV) 13.4.1R(1))	
2	Connected persons	(IPRU(INV) 13.4.1R(2))	
3	Investments	(IPRU(INV) 13.4.1R(3))	
	ADJUSTED NET CURRENT ASSETS		
	LESS: REQUIREMENT		1
	SURPLUS (DEFICIT)		

EXPENDITURE BASED REQUIREMENT

(This applies to Firms in Cat A1, Cat A2 with permission to manage investments and Cat A networks)

	£	£
FINANCIAL RESOURCES (from Form 13F)		
Less: **FINANCIAL RESOURCES REQUIREMENT**		
Total expenditure (XII on Form 13Bii from your last annual financial statements)		
Less: staff bonuses		
employees' and directors' shares in profits		
shared commissions		
interest charges in respect of borrowing made to finance the acquisition of your readily realisable investments		
interest paid to clients on client money		
interest paid to counterparties		
fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions		
foreign exchange losses		
(A)		
Relevant Annual Expenditure Requirement is the higher of the following (A) multiplied by 13/52 or An amount equal to £400 multiplied by the number of investment staff (see note)		
FINANCIAL RESOURCES SURPLUS/(DEFICIT)		

NOTE: The number of the Firm's investment staff includes the investment staff of its appointed representatives

EXPENDITURE BASED REQUIREMENT (Modified Test)

(This applies to Cat A2 Firms without permission to manage investments and Cat A3 Firms)

	£	£
FINANCIAL RESOURCES (from Form 13F)		
Less: **FINANCIAL RESOURCES REQUIREMENT**		
Total expenditure (XII on Form 13Bii from your last annual financial statements)		
Less: staff bonuses		
employees' and directors' shares in profits		
shared commissions		
interest charges in respect of borrowing made to finance the acquisition of your readily realisable investments		
interest paid to clients on client money		
interest paid to counterparties		
fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions		
foreign exchange losses		
(A)		
Relevant Annual Expenditure Requirement is the higher of the following (A) multiplied by 4/52 or 8/52 (whichever applies in IPRU(INV) 13.5.1(R) or (A) multiplied by 13/52 then the total of special adjustments from Form 13F deducted or An amount equal to £400 multiplied by the number of investment staff (see note)		
FINANCIAL RESOURCES SURPLUS/(DEFICIT)		

NOTE: The number of the FirmÕs investment staff includes the investment staff of its appointed representatives

EXPENDITURE BASED REQUIREMENT

ASSETS	Balance Sheet £	Adjustment IPRU(INV) Table 13.5.4 * Item no.	Position Risk	Other Special Adjustment	Illiquid Assets	Admissible amount £
FIXED ASSETS						
Intangible assets		(13)				NIL
Tangible assets- land and buildings		(1)				NIL
- other tangible assets		(13)				NIL
Investments		(2), (3)				
CURRENT ASSETS						
Physical stocks		(13)				NIL
Debtors - unsettled securities transactions		(4), (5)				
- regulated collective investment schemes		(6)				
- group debtors		(7)				
- trade debtors		(8)				
- prepayments		(9)				
- accrued income		(10)				
- deposits		(11)				
- government bodies		(12)				
- other debts		(13)				NIL
Investments		(2), (3)				
Cash at bank and in hand		(11a)				

TOTAL ASSETS						
					C/f	

* A Category A1 firm must use IPRU(INV) Table 13.5.4(1)

A Category A2 or A3 firm must use IPRU(INV) Table 13.5.4(2).

LIABILITIES	Balance Sheet £	Adjustment IPRU(INV) Table 13.5.4 * Item no.	Position Risk	Other Special Adjustment	Illiquid Assets	Admissible amount £
					b/f	
CURRENT LIABILITIES						
Creditors: amounts falling due within one year						
Liabilities secured on property		(14)				
Investments (short positions)		(17)				
Taxation		(19)				
Unsettled securities transactions		(20), (21)				
Other current liabilities		(26)				
TOTAL CURRENT LIABILITIES						
Creditors: amounts falling due after more than one year						
Liabilities secured on property		(14)				
Short-term subordinated loans		(15)				
Long-term subordinated loans		(15)				
Taxation		(19)				
Other liabilities		(26)				
PROVISIONS FOR LIABILITIES AND CHARGES						
Commission on indemnity terms		(16)				
Other provisions		(26)				
TOTAL LIABILITIES						
					c/f	
TOTAL ASSETS LESS TOTAL LIABILITIES						

* A Category A1 firm must use IPRU(INV) Table 13.5.4(1)
A Category A2 or A3 firm must use IPRU(INV) Table 13.5.4(2).

	Balance Sheet £	Adjustment IPRU(INV) Table 13.5.4 * Item no.	Position Risk	Other Special Adjustment	Illiquid Assets	Admissible amount £
					b/f	
Capital and reserves						
Called up share capital						
ProprietorÕs or partnersÕ capital and current accounts						
Other reserves						
Total capital and reserves						
Other adjustments						
Deficiencies in subsidiaries		(18)				
Contingent liabilities		(23)				
Foreign exchange risk		(25)				
Preference shares		(24)				
OTC derivatives		(22)				
Deduction required per Form 13H		(18)				
Large exposure adjustment						

FINANCIAL RESOURCES (Form 13E)

	A	B
TOTALS		
TOTAL SPECIAL ADJUSTMENT (A+B)		

* A Category A1 firm must use IPRU(INV) Table 13.5.4(1)
A Category A2 or A3 firm must use IPRU(INV) Table 13.5.4(2).

POSITION RISK DEDUCTIONS FOR INVESTMENTS

Where some of your investments are to be classified as fixed assets and others as current assets, you must submit a copy of this form for EACH of those classes of assets.

INVESTMENTS	Balance sheet	Market value	Discount rate	Amount of discount
UK or other Central Government securities with less than 2 years to final redemption			2%	
UK or other Central Government securities with between 2 and 5 years to final redemption			5%	
Other qualifying fixed rate debt securities with less than 5 years to final redemption			8%	
Other qualifying floating rate debt securities with less than five years to final redemption			10%	
UK and other Central Government securities with 5 years or more to final redemption			13%	
Other qualifying debt securities with 5 years or More to final redemption			15%	
Non-qualifying fixed rate debt securities with less than 2 years to final redemption			10%	
Non-qualifying fixed rate debt securities with between 2 and 5 years to final redemption			20%	
Non-qualifying fixed rate debt securities with 5 years or more to final redemption			30%	
Non-qualifying floating rate debt securities of any duration			30%	
With-profit life policies (at surrender value)			20%	
Units in regulated collective investment schemes			25%	
Shares traded on a recognised or designated investment exchange			25%	
Units in higher volatility funds or property funds			50%	
Derivatives (see IPRU(INV) Table 13.5.4A)				
Other investments			100%	
TOTALS				

RESTRICTIONS ON FINANCIAL RESOURCES

Guidance: Where you have been required to make deductions to your own funds level as a result of the restrictions detailed in IPRU(INV)Table 13.3.2(2), the amounts that were deducted can be used in Financial Resources Test 2, but subject to separate restrictions which also take into account the level of short-term subordinated loans and preference shares. This form is required to establish whether any deductions are required to the amounts entered in Form 13F

		£
1	Short term subordinated loans	
2	Preference shares	
3	Amount deducted as a result of the restrictions of IPRU(INV) Table 13.3.2(2)	
	(1+2+3)	**A**
	Original own funds (Item C on Form 13Ci or Cii)	
	Less: Position risk (from Form 13F)	**B**
	Multiplied by 250%	**C**

If A is greater than C, you must deduct the difference in your calculation of Financial Resources Test 2 on Form 13F

Statement of large exposures — Form 13I

As at ____________________ (date)

	£
Own funds level (from Form 13Ci or Cii)	
Reportable level (10% of own funds)	

Name of counterparty or group of counterparties	Level of exposure	Proportion exempt (%)	Amount included
		TOTAL	

Sole trader's statement of solvency — Form 13J

Statement of solvency

I certify that, to the best of my knowledge and belief, the total of my personal and business assets exceeds the total of my personal and business liabilities and that I am able to meet those liabilities as they fall due.

Confirmation

I confirm that, in making this statement of solvency, I have applied the Accounting Principles set out in SUP16 Ann 7R (Section 5, Table 1R) of the Rules (excluding paragraph 2(a)) and included as a liability a provision for taxation on the whole of my profits up to the date of the accompanying balance sheet.

Signature and declaration

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this statement is accurate and complete to the best of my knowledge and belief.

______________________________________ (signature)

(sole trader)

______________________________________ (date)

Quarterly financial resources statement — Form CAD13

This form applies to all Category Al, A2 and A3 Firms and must be submitted at all quarterly reporting dates other than the annual accounting reference date.

		£000	£000
Financial resources from latest audited Form 13F			
Less: Material changes			
Current year losses to date			
Share capital or proprietor's/partners' capital introduced/ withdrawn since date of last audited figures; subordinated loans introduced/repaid			
Relevant Annual Expenditure Requirement from Form	13Ei		
or	13Eii		
	as applicable		
Financial Resources Surplus/(Deficit)			

Schedule 13B

Financial reporting forms for Category B personal investment firms

FSA Handbook reference SUP 16 Annex 7(4) R

September 2001

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Website http://www.fsa.gov.uk
Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Balance sheet – Category B firms　　　Form 13A

Category B firms except B3 with 1 —25 investment staff

As at ____________________ (accounting reference date)

		£
A	**FIXED ASSETS**	
1	Intangible assets	
2	Tangible assets	
3	Investments	
4	TOTAL FIXED ASSETS	
B	**CURRENT ASSETS**	
1	Physical stocks	
2	Amounts due from group companies	
3	Amounts due from other connected persons (including Appointed Representatives)	
4	Other debtors	
5	Investments - long positions	
6	Cash at bank and in hand	
7	Prepayments and accrued income	
8	TOTAL CURRENT ASSETS	
C	**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**	
1	Trade creditors	
2	Investments - short positions	
3	Loans and overdrafts	
4	Taxation	
5	Amounts due to group companies	
6	Amounts due to other connected persons (including Appointed Representatives)	
7	Obligations under finance leases	
8	Other creditors	
9	Accruals and deferred income	
10	TOTAL CREDITORS FALLING DUE WITHIN ONE YEAR	
D	NET CURRENT ASSETS **(B8 - C10)**	
E	**TOTAL ASSETS LESS CURRENT LIABILITIES (A4 + D)**	

	As at ____________________ (accounting reference date)	£
F	**CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**	
1	Loans	
2	Taxation	
3	Amounts due to group companies	
4	Amounts due to other connected persons	
5	Obligations under finance leases	
6	Other creditors	
7	Accruals and deferred income	
8	TOTAL CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	
G	**PROVISIONS FOR LIABILITIES AND CHARGES**	
1	Commission on indemnity terms	
2	Provisions for pension opt-outs and transfers	
3	Taxation including deferred taxation	
4	Other provisions	
5	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	
H	**TOTAL ASSETS LESS TOTAL LIABILITIES (E - F8 - G5)**	
I	**CAPITAL AND RESERVES**	
1	Called up share capital	
2	Share premium account	
3	Proprietor's or partners' capital accounts	
4	Proprietor's or partners' current accounts	
5	Revaluation reserve	
6	Other reserves	
7	Profit and loss account - prior year	
	- current year	
8	TOTAL CAPITAL AND RESERVES	

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

The financial statements set out on pages ____ to ____

were approved on ____________________ (date)

____________________________________ (signature)
(proprietor/partner/director)

____________________________________ (signature)
(partner/director)

Profit and loss account — Form 13Bi

For the period from _______________ (date) to _______________ (date)

			£
A		**REVENUE**	
I		**Commissions on transactions in:**	
	1	Collective investment schemes	
	2	Life assurance policies	
		(a) on indemnity terms	
		(b) other initial commission	
		(c) renewal commission	
	3	Direct investments	
	4	Other - please specify	
II		**Investment management fees**	
III		**Fees for investment advice**	
IV		**Interest and dividends**	
	1	Investments	
	2	Loan accounts	
	3	In respect of client bank accounts	
	4	Other - please specify	
V		**Exceptional items - please specify**	
VI		**Other revenue - please specify**	
VII		**TOTAL REVENUE**	
B		**TOTAL EXPENDITURE (see XII on Form 13Bii)**	
C		**PROFIT BEFORE TAXATION (A VII – B)**	
D		**TAXATION**	
E		**EXTRAORDINARY ITEMS** - please give details	
F		**PROFIT FOR THE PERIOD (C - D - E)**	
G		**DISTRIBUTIONS**	
I		Dividends	
II		Proprietor's/partners' drawings - please specify	
III		Other - please specify	
H		**RETAINED PROFIT OR LOSS FOR THE PERIOD (F - G)**	

Profit and loss account (Details of expenditure) Form 13Bii

For the period from _______________ (date) to _______________ (date)

			£
B		**TOTAL EXPENDITURE**	
I		**Shared commissions paid**	
	1	attributable directly to commissions received	
	2	not attributable directly to commissions received	
II		**Salaries and other employment costs**	
III		**Directors' or partners' emoluments**	
IV		**Staff bonuses**	
V		**Employees' and directors' shares in profits**	
VI		**Interest charges**	
	1	Payable to clients in respect of client money balances	
	2	Payable to counterparties	
	3	Subordinated loans	
	4	Other loans	
	5	Bank overdrafts	
	6	Other - please specify	
VII		**Audit fees**	
VIII		**Other professional charges**	
IX		**Regulatory fees and expenses**	
X		**Other expenditure**	
	1	Establishment costs	
	2	Communications and marketing	
	3	Office equipment and services	
	4	Depreciation	
	5	Other office expenses	
	6	Provision for losses	
	7	Bad and doubtful debts	
	8	Provision for pension transfer compensation	
	9	Professional indemnity insurance	
	10	Customers' claims and compensation - please give details	
	11	Other claims and compensation - please give details	
	12	Management fees payable to connected companies	
	13	Fees, brokerage to clearing houses etc	
XI		**Exceptional items - please give details**	
XII		**TOTAL EXPENDITURE**	

Statement of own-funds (incorporated firms) — Form 13Ci

FINANCIAL RESOURCES TEST 1

As at ____________________ (date)	£
Paid up share capital (excluding preference shares redeemable by shareholders within 2 years)	
Share premium account	
Audited retained profits and verified interim net profits	
Revaluation reserves	
Short-term subordinated loans	
Debt capital	
LESS Intangible assets	
Material current year losses	
Own funds requirement	10,000
OWN FUNDS SURPLUS/(DEFICIT)	£

Statement of own-funds (unincorporated firms) Form 13Cii

FINANCIAL RESOURCES – TEST 1	Admissible amount
As at ____________________ (date)	**£**
Balances on proprietor's or partners'	
Capital accounts	
Current accounts	
Revaluation reserves	
Short-term subordinated loans	
LESS:	
Intangible assets	
Material current year losses	
Excess of current year drawings over current year profits	
OWN FUNDS	
Own funds requirement	10,000
OWN FUNDS SURPLUS/(DEFICIT)	

NET CURRENT ASSETS TEST

As at ____________________ (date)

			£
	ADJUSTED NET CURRENT ASSETS	(IPRU(INV) 13.11)	
	NET CURRENT ASSETS	(D in Form 13A)	
	ADJUSTMENTS		
1	Long term assets	(IPRU(INV) 13.11.1R(1))	
2	Connected persons	(IPRU(INV) 13.11.1R(2))	
3	Investments	(IPRU(INV) 13.11.1R(3))	
	ADJUSTED NET CURRENT ASSETS		
	LESS: REQUIREMENT		1
	SURPLUS (DEFICIT)		

EXPENDITURE BASED REQUIREMENT

(This applies to Firms in Cat B, except low resource Firms)

	£	£
ADJUSTED CAPITAL/LIQUID CAPITAL (from Form 13F)		
Less: **ADJUSTED CAPITAL REQUIREMENT**		
Total expenditure (B in the profit and loss account on Form 13Bi from your last annual financial statements)		
Less: staff bonuses		
employees' and directors' shares in profits		
shared commissions		
interest charges in respect of borrowing made to finance the acquisition of your readily realisable investments		
emoluments of directors, partners or a sole proprietor (see Note 1)		
(A)		
Relevant Annual Expenditure Requirement is the higher of the following		
(A) multiplied by 4/52 or 8/52 or 13/52 (see IPRU(INV) 13.12.1R), or		
An amount equal to £400 multiplied by the number of investment staff (see Note 2)		
ADJUSTED CAPITAL/LIQUID CAPITAL SURPLUS/(DEFICIT)		

NOTE 1: Category B1 Firms must not deduct this item.

NOTE 2: The number of the FirmÕs investment staff includes the investment staff of its appointed representatives.

Calculation of financial resources – Test 2 Form 13F

EXPENDITURE BASED REQUIREMENT

ASSETS	Balance Sheet £	Cat B1 Firms: Adjust-ment IPRU(INV) Table 13.12.3(1) Item no.	Cat B1 Firms: Amount of discount	Cat B2 and B3 Firms: Adjust-ment IPRU(INV) Table 13.12.3(2) Item no.	Cat B2 and B3 Firms: Amount of discount	Admis-sible amount £
FIXED ASSETS						
Intangible assets						NIL
Tangible assets - land and buildings		(1)		(1)		
- motor vehicles				(2)		
- other tangible assets		(13)		(13)		NIL
Investments		(2)(3)		(3)		
CURRENT ASSETS						
Physical stocks		(13)		(13)		NIL
Debtors - unsettled securities transactions		(4)(5)		(4)(5)		
- regulated collective investment schemes		(6)		(6)		
- group debtors		(13)		(7)		
- trade debtors (authorised persons)		(8)		(8)		
- prepayments		(9)		(9)		
- accrued income		(10)		(10)		
- deposits		(11)		(11)		
- government bodies		(12)		(12)		
- other debts		(12)		(13)		
Investments		(2)		(3)		
Cash at bank		(11)		(11)		
TOTAL ASSETS					C/f	

LIABILITIES	Balance Sheet £	Cat B1 Firms: Adjustment IPRU(INV) Table 13.12.3(1) Item no.	Cat B1 Firms: Amount of discount	Cat B2 and B3 Firms: Adjustment IPRU(INV) Table 13.12.3(2) Item no.	Cat B2 and B3 Firms: Amount of discount	Admissible amount £
					b/f	
CURRENT LIABILITIES						
Creditors: amounts falling due within one year						
Liabilities secured on property		(14)		(14)		
Investments (short positions)		(17)		(17)		
Taxation		(19)		(19)		
Unsettled securities transactions		(20), (21)		(20), (21)		
Other current liabilities		(26)		(27)		
TOTAL CURRENT LIABILITIES						
Creditors: amounts falling due after more than one year						
Liabilities secured on property		(14)		(14)		
Subordinated loans		(15)		(15)		
Long-term subordinated loans		(15)		(15)		
Taxation		(19)		(19)		
Other liabilities		(26)		(27)		
PROVISIONS FOR LIABILITIES AND CHARGES						
Commission on indemnity terms		(16)		(16)		
Other provisions		(26)		(27)		
TOTAL LIABILITIES						
					c/f	
TOTAL ASSETS LESS TOTAL LIABILITIES						

	Balance Sheet £	Cat B1 Firms: Adjustment IPRU(INV) Table 13.12.3(1) Item no.	Cat B1 Firms: Amount of discount	Cat B2 and B3 Firms: Adjustment IPRU(INV) Table 13.12.3(2) Item no.	Cat B2 and B3 Firms: Amount of discount	Admissible amount £
					b/f	
Capital and reserves						
Called up share capital						
ProprietorÕs or partnersÕ capital and current accounts						
Other reserves						
Total capital and reserves						
Other adjustments						
Deficiencies in subsidiaries		(18)		(18)		
Contingent liabilities		(23)		(23)		
Foreign exchange risk		(25)		(26)		
Redeemable preference shares		(24)		(25)		
Derivatives		(22)		(22)		

ADJUSTED CAPITAL/LIQUID CAPITAL

DISCOUNTS FOR INVESTMENTS

Where some of your investments are to be classified as fixed assets and others as current assets, you must submit a copy of this form for EACH of those classes of assets.

INVESTMENTS	Balance sheet	Market value	Discount rate	Amount of discount
UK Government or local authority stocks with less than one year to final redemption and debt instruments issued or accepted by an approved bank with less than 90 days to final redemption			2%	
UK Government or local authority stocks with more than one year but less than five years to final redemption			5%	
Other debt instruments which are marketable investments with less than one year to final redemption			5%	
Floating rate notes which are marketable investments with no more than 20 years to final redemption			5%	
UK Government or local authority stocks with 5 years or more to final redemption and other debt instruments which are marketable investments with less than 5 years to final redemption			10%	
Floating rate notes which are marketable investments with more than 20 years to final redemption			10%	
Other debt instruments which are marketable investments			15%	
With-profit life policies (at surrender value)			20%	
Other investments listed on a recognised or designated investment exchange			25%	
Unit-linked bonds and units in authorised unit trusts (other than higher volatility funds and property funds) or regulated collective investment schemes			25%	
Shares traded on a recognised or designated investment exchange			35%	
Other shares for which there is a market maker in the UK			35%	
Units in higher volatility funds or property funds			50%	
Shares in subsidiary companies and shares which are **not** readily realisable in connected companies			100%	
Derivatives (see IPRU(INV) Table 13.12.3A)				
Other investments			100%	
TOTALS				

Sole trader's statement of solvency — Form 13J

Statement of solvency

I certify that, to the best of my knowledge and belief, the total of my personal and business assets exceeds the total of my personal and business liabilities and that I am able to meet those liabilities as they fall due.

Confirmation

I confirm that, in making this statement of solvency, I have applied the Accounting Principles set out in SUP16 Ann 7R (Section 5, Table 1R) of the Rules (excluding paragraph 2(a)) and included as a liability a provision for taxation on the whole of my profits up to the date of the accompanying balance sheet.

Signature and declaration

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this statement is accurate and complete to the best of my knowledge and belief.

______________________________________ (signature)

(sole trader)

______________________________________ (date)

Section 5: Personal investment firms: requirements applying to the completion of reports

1 Table

		(See *SUP* 16.7.51R)
1.	(1)	Each report must provide the required information: (a) fully and accurately; (b) where applicable, in accordance with the accounting principles set out in Table 1 of this annex.
	(2)	A *firm* must prepare its reports as at its annual *accounting reference date* and at the applicable intervals between those dates which are specified in *SUP* 16.7.45R , *SUP* 16.7.47R and *SUP* 16.7.49R .
	(3)	A *firm* must submit reports to the *FSA* by the dates for submission to the *FSA* stipulated in *SUP* 16.7.45R, *SUP* 16.7.47R and *SUP* 16.7.49R.
	(4)	Financial statements and any questionnaire, which a *firm* is required to complete, must be approved and signed as set out in Table 2R.
	(5)	For Form CAD 13 (a copy of which is to be found at the end of Schedule 13A in section 3 of SUP16 Ann 7R), the *firm* must use figures which are taken from its most recently audited accounts, unless they relate to a material change of a kind specified in that form.
	(6)	A report on holdings of second–hand *life policies* must contain the following information: (a) the value at the reporting date of each *policy* held for resale or *investment*, calculated in accordance with *IPRU(INV)* 13.12.3R and discounted where appropriate in accordance with *IPRU(INV)* 13.12.3R; (b) the length of time for which it has been held; and (c) the date to which the *surrender value* calculated in *IPRU(INV)* 13.12.3R is or was valid.

2 Table

Table 1R – Accounting Principles

(1) Except as in (2) and (12) below, amounts to be included for all items shown in the *firm's* balance sheet and profit and loss account must be determined in accordance with:

(a) the accounting principles and rules contained in the Companies Acts;

(b) generally accepted accounting standards; and

(c) the provisions of (3) to (11) below

(2) (a) If the *firm* is a *sole trader,* the items to be included in a financial statement must only be those which relate to the *sole trader's* business as a *firm*.

(b) If the *firm* is a *body corporate* with one or more *subsidiaries,* its financial statements must be unconsolidated.

(3) (a) All amounts must be shown in pounds sterling.

(b) A *firm* must translate assets and liabilities denominated in other currencies into pounds sterling using the closing mid–market rate of exchange (or, where appropriate, the rates of exchange fixed under the terms of related or matching forward contracts).

(4) All balances with *counterparties* which are due to be settled against delivery of documents of title must be reflected at their gross amounts unless the parties to the transactions have expressly agreed in writing that they are to be settled on a net basis.

(5) The items in the balance sheet and profit and loss account must be shown in the order and under the headings and sub– headings given in Forms 13A and 13B respectively (but may be shown in more detail than those forms require).

(6) The balance sheet or profit and loss account may include as a separately identified sum any asset or liability, or income or expenditure, not otherwise covered by one of the items listed in Forms 13A and 13B.

(7) A heading or sub–heading corresponding to an item listed in Form 13A or 13B need not be included if there is no amount to be shown for that item in respect of the period to which the balance sheet or profit and loss account relates or in respect of the preceding period.

(8) In the annual statements, in respect of every item in the balance sheet or profit and loss account the corresponding amount for the financial year immediately preceding must also be shown.

(9) No netting is allowed (that is amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).

Table 1R – Accounting Principles
(10) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet, but must be shown in the notes to the financial statements. If the *firm* has *permission* to perform discretionary portfolio management it must disclose in the notes to the financial statements the value of clients' assets of which the *firm* is discretionary portfolio manager and which are in the *firm's* possession or held to its order
(11) The Notes to the balance sheet and profit and loss account must include the following information where applicable: (a) A statement of accounting policies This must include details of the accounting policies which have been adopted in respect of the items which are material to the balance sheet and profit and loss account. However, where the *firm* has revenue from *commissions* on transactions in *life policies* or *pension contracts* there must be an accounting policy note on the recognition of this income, and in particular in respect of any indemnity *commission* income (see (c) below). There should also be a statement that the balance sheet and profit and loss account have been prepared in accordance with the Companies Acts and with the standards specified in (1)(b) above (b) Detailed analyses of items in the balance sheet or profit and loss account The notes are expected to include, where appropriate, analysed information on items in the balance sheet or profit and loss account. (c) Indemnity *commission* income. A *firm* must disclose fully: (i) its accounting policy in respect of indemnity *commission*; (ii) the actual provision made in the financial statements; (iii) the value of *commission* which has been repaid to *suppliers* during the period covered by the financial statements; (iv) the number of *policies* subject to clawback of *commission* which have lapsed during the accounting period. (d) Contingent liabilities A *firm* must disclose fully every contingent liability which exists at the balance sheet date, in particular:

Table 1R – Accounting Principles
(i) an indication of the amount of the potential liability involved;
(ii) an indication of the likelihood that the potential liability will crystallise;
(iii) full details of the background to the contingency.
If no contingent liabilities exist at the balance sheet date there should be a note to this effect.
(12) If it appears to the *firm* that there are special reasons for departing from any of the principles and rules in this table in preparing its financial statements in respect of any financial year, it may do so, but the *firm* must include in a note to the financial statements particulars of the departure, reasons for it and its effect.

3 Table

TABLE 2R

APPROVAL AND SIGNATURE OF REPORTS

	Sole trader	Partnership	*Company*
The *firm's* financial statements must contain a statement setting out:	whether his total assets exceed his total liabilities (whether or not the assets and liabilities arose in the course of *regulated activities*)	that the financial statements were approved at a meeting of the *partners*	that the financial statements were approved at a meeting of the *directors*
The *firm's* financial statements and any questionnaire must be signed by:	the proprietor	at least two *partners*	at least two *directors**

*Note: If there is only one *director*, then that *director* and the company secretary must sign.

Consolidated financial resources return for personal investment firms

Consolidated financial resources return

GROUP

A	B	C	D	E	F	G	H	I
Subsidiary or associate	% Shareholding in subsidiary or associate	Local regulator or state	Group investment in subsidiary or associate	Financial resources of subsidiary or associate	FRR of subsidiary or associate	Surplus or deficit of subsidiary or associate	Subs./ Assoc. externally generated F resources	FRR for consolidated capital test
						E —F	E —D	F
		FSA						
Total								

Total Financial Resources Requirement of Subsidiaries	(Total Column I)	
Holding Company Financial Resources Requirement		
Total Consolidated Financial Resources Requirement		
Total Subsidiary Externally Generated Financial Resources	(Total Column H)	
Holding Company Financial Resources		
Total Consolidated Financial Resources		
Total Consolidated Surplus/(Deficiency)		

Consolidated financial resources return for personal investment firms

Calculation of financial resources requirement

Calculation of financial resources requirement (FRR) for personal investment firms other than low resource firms

(for subsidiaries or associates the FRR is transferred to column F of main schedule)

GROUP

A	B	C	D	E	F	G	H	I
Name of Company	**% Shareholding in Subsidiary or Associate**	**Own Funds**	**Financial Resources**	**C-D**	**Expenditure based requirement**	**Total Exp Based reqt E+F**	**Own Funds requirement**	**FRR: Greater of G&H**

Consolidated financial resources return for personal investment firms

FSA

Statement of large exposures — Form 13I

GROUP

as at (date)

Total consolidated financial resources (from Page 1)

Reportable level (10% of consolidated financial resources)

A	B	C	D
Name of counterparty or group of counterparties	**Level of exposure**	**Proportion exempt (%)**	**Amount included**
		Total	**£**

Consolidated financial resources return for personal investment firms

FSA

Signature and declaration

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief, and that I have read the Guidance Notes to this form.

Name of signatory	
Signature	
Position	
Date	

SUP 16 Ann 8G: Guidance notes on completion of personal investment firms' reporting forms

1. Consolidated financial resources return for personal investment firms

2. Annual questionnaire for small personal investment firms

GUIDANCE NOTES on completion of the pro forma Consolidated financial resources return for personal investment firms

INTRODUCTION

Excessive risks or financial deficiencies in other parts of a group may damage the financial viability of a Category A firm. IPRU(INV)13.7 in the FSA Handbook enables the FSA to gather information so that it can watch for such weaknesses in a group and, if necessary, call for protective or remedial action.

IPRU(INV)13.7.1R states that you must comply with IPRU(INV)13.7 if you are a member of a group.

IPRU(INV)13.7.2R states that where IPRU(INV)13.7 applies, you must provide to the FSA information about yourself and other members of your group relevant to the formation of a complete picture of the group, its structure and organisation and risks to which the firm may be subject as a member of that group.

IPRU(INV) 13.7.2AR states that a Category A firm must ensure that it and other members of its group apply the provisions of chapter 13 of IPRU(INV) on a consolidated basis unless:

(1) the group is subject to the consolidated supervision requirements imposed by the FSA rules in another chapter or sourcebook; or

(2) the FSA is not the consolidating supervisor for the firmÕs group.

IPRU(INV)13.7.2BR states that where a Category A firm is exposed to undue risk in consequence its membership of a group, it must provide against, reduce or eliminate that risk.

To enable the FSA to obtain a complete picture of financial position of the group of which the firm is a member, in accordance with IPRU(INV)13.7.2R, you are required to complete the consolidated financial resources return.

In accordance with IPRU(INV)13.7.2BR, the FSA will require the firm to take steps to eliminate a consolidated deficiency shown by the return.

The guidance for completion of each page of the consolidated financial resources return are given below.

PAGE 1 OF THE RETURN

COLUMN	GUIDANCE
Column A	List each subsidiary and associated company in the group. Complete columns B to I on a line by line basis.
Column B	If the shares in the subsidiary or associate are held by the holding company, enter the percentage share holding in the subsidiary or associate. If the shares in the subsidiary or associate are not held directly by the holding company, but are held by another group company, enter the effective percentage interest of the holding company in the subsidiary or associate. In this case, where the guidance below refers to percentage interest or interest, these should be read as effective percentage interest or effective interest, respectively.
Column C	Specify whether the subsidiary or associate is regulated by the FSA or by another regulator. If the firm is not regulated, state ÒunregulatedÓ
Column D	The figure entered under Column D should be the sum of the following: (a) the interest in the ordinary share capital of the subsidiary or associate. (b) the interest in the preference share capital of the subsidiary or associate.
Column E	
Subsidiaries	The figure entered under Column E will generally be the sum of the following: (a) the ordinary share capital and reserves of the subsidiary. (b) the preference share capital of the subsidiary. However, if the subsidiary has an investment in another group company which is a subsidiary or associate, and the value of that investment as shown on the balance sheet of the subsidiary company holding the shares, is greater than the nominal value of the investment, then the excess should be deducted from the sum of a) and b).
Associates	The figure entered under Column E should be the sum of the following: (a) the holding companyÕs interest in the ordinary share capital and reserves of the associate. This will be the percentage interest from Column B multiplied by the ordinary share capital and reserves of the associate; An adjustment may be required if an associate holds shares in another associate. If the value at which the investment in those shares is held is greater than the par value of those shares, then the excess should be deducted from the total of the capital and reserves of the associate which holds the investment, before calculating the holding companyÕs interest in those capital and reserves. (b) the holding companyÕs interest in the preference share capital of the associate. This should be the same figure as used in the calculation under point b) for Column D.

COLUMN	GUIDANCE
Column F	
Subsidiaries	If the subsidiary is an FSA regulated firm, other than a low resource firm as defined in the glossary to IPRU(INV) 13, then the figure in Column F will be taken from page 2 of the return (see later). If the subsidiary is an FSA regulated Category B3 low resource firm then enter £10,000 in Column F. This is the own funds requirement for a low resource firm (see IPRU(INV)13.10.1R). If the subsidiary or associate has intangible assets these will be added to the financial resource requirement. If another regulator regulates the subsidiary enter the financial resource requirement of that other regulator in Column F. If the subsidiary has intangible assets these will be added to the financial resource requirement. If the subsidiary has made a subordinated loan to another group company this should also be added to the financial resource requirement. If the subsidiary is unregulated then provisionally enter £1 in Column F. If the subsidiary has intangible assets these will be added to the financial resource requirement. If the subsidiary has made a subordinated loan to another group company this will also be added to the financial resource requirement.
Associates	If the associate is an FSA regulated firm, other than a low resource firm as defined in the glossary to IPRU(INV) 13, then the figure in Column F will be taken from page 2 of the return (see later). If the associate is an FSA regulated B3 low resource firm then enter £10,000 x holding company's percentage interest in the ordinary shares, in Column F. £10,000 is the own funds requirement (see IPRU(INV)13.10.1R). If another regulator regulates the associate, enter the financial resource requirement of that other regulator x the holding company's percentage interest in the ordinary share capital. If the associate is unregulated then provisionally enter £1 in Column F.
Column G	The figure in Column G is that in Column E less that in column F.
Column H	The figure in Column H is that in Column E less that in Column D. If, for a subsidiary, the minority interest in ordinary share capital and preference share capital is greater than the financial resource requirement in column F then a deduction should be made for the excess. This is because the excess is not freely transferable to other group companies.
Column I	The figure in Column I is that in Column F.

Total Financial Resources Requirement of Subsidiaries	This is the total of the figures in Column I.
Holding Company Financial Resource Requirement	If the holding company is an FSA regulated firm, other than a low resource firm as defined in the glossary to IPRU(INV) 13, then the figure will be taken from page 2 of the return (see later). If the holding company is an FSA low resource firm, then enter £10,000. This is the own funds requirement for a low resource firm (see IPRU(INV)13.10.1R). If the holding company has intangible assets these will be added to the financial resource requirement. If the holding company is regulated by another regulator, provisionally enter the financial resource requirement of that regulator.. If the holding company has intangible assets these will be added to the financial resource requirement. If the holding company has made a subordinated loan to another group company this should be added to the financial resource requirement. If the holding company is unregulated provisionally enter £1. If the holding company has intangible assets these will be added to the financial resource requirement. If the holding company has made a subordinated loan to another group company this should be added to the financial resource requirement.
Total Consolidated Financial Resources Requirement	This is the sum of total financial resource requirement of subsidiaries and the holding company financial resource requirement.
Total Subsidiary Externally Generated Financial Resources	This is the total of Column H.
Holding Company Financial Resources	This is generally the capital and reserves of the holding company. However, if the value at which the investment in directly held subsidiary and associates is shown on the balance sheet of the holding company, is greater than the value at which the investment in subsidiaries and associates, held directly by the holding company, is shown in Column D, then the excess should be deducted from the capital and reserves of the holding company.
Total Consolidated Financial Resources	This is the total of total subsidiary externally generated financial resources and holding company financial resources.
Total Consolidated Excess/(Deficiency)	This is the total consolidated financial resources less total consolidated financial resources requirement. The FSA will require the firm to take steps to eliminate a total consolidated deficiency. In calculating the total consolidated excess/(deficiency) of the group of which the regulated firm is a part, the FSA may review the audited accounts of each subsidiary and associate in the group and audited accounts of the holding company, and may make additional adjustments to those specified above. These adjustments will arise if as a result of the review, the FSA identifies any assets against which a provision is required or liabilities for which a provision should be made.

PAGE 2 OF THE RETURN

This page should be completed for all subsidiaries and associates who are FSA regulated firms, other than low resource firms as defined in the glossary to IPRU(INV) 1.

This page should also be completed in respect of the holding company if it is an FSA regulated firm, other than a low resource firm.

The guidance refers to forms in the schedule of forms(SUP 16 Ann 7(3) R for category A firms and SUP 16 Ann 7(4) R for category B firms). These forms should be those which have been prepared at the same date as the return.

COLUMN	GUIDANCE
Column A	Enter the name of the subsidiary or the associate or the holding company as applicable. Complete columns B to I on a line by line basis.
Column B	If the shares in the subsidiary or associate are held by the holding company, enter the percentage share holding in the subsidiary or associate.
Column C	
Subsidiary	Enter the own funds of the regulated firm from Form 13Ci.
Associate	Enter the own funds of the regulated firm from Form 13Ci multiplied by the percentage interest of the holding company.
Holding Company	Enter the own funds of the regulated firm from Form 13Ci.
Column D	
Subsidiary	Take the total financial resources from Form 13F and add back any investment in subsidiaries or associates and any inter company debtors. Enter the total figure in the column.
Associates	Take the total financial resources from Form 13F and add back any investment in associates and any inter company debtors. Multiply the total figure by the percentage interest of the holding company in the associate and enter the result in the column.
Holding Company	Take the total financial resources from Form 13F and add back any investment in subsidiaries or associates and any inter company debtors. Enter the total figure in the column.
Column E	The figure in column E is that in column C less that in Column D.
Column F	
Subsidiary	Enter the expenditure based requirement from Form 13Ei or 13Eii (Category A firms) or from Form 13E (Category B firms).
Associates	Enter the expenditure based requirement from Form 13Ei or 13Eii (Category A firms) or from Form 13E (Category B firms) multiplied by the percentage interest of the holding company.
Holding Company	Enter the expenditure based requirement from Form 13Ei or 13Eii (Category A firms) or from Form 13E (category B firms).
Column G	The figure in column G is the figure in column E plus the figure in column F.

COLUMN	GUIDANCE
Column H	
Subsidiary	Enter the own funds requirement from Form 13Ci. If a Category A firm is required to comply with IPRU(INV)13.3.3, enter the highest reference level of own funds.
Associate	Enter the own funds requirement from Form 13Ci multiplied by the percentage interest of the holding company. If a Category A firm is required to comply with IPRU(INV)13.3.3, enter the highest reference level of own funds multiplied by the percentage interest of the holding company.
Holding Company	Enter the own funds requirement from Form 13Ci. If a Category A firm is required to comply with IPRU(INV)13.3.3, enter the highest reference level of own funds.
Column I	The figure in Column I is the greater of the figure in Column G and the figure in Column H. If the firm is a subsidiary or an associate, then the figure in Column I should be entered on page 1 in Column F. If the firm is a holding company then the figure in Column I should be entered on page 1, on the line entitled Ôholding company financial resources requirementÕ

Guidance for the completion of Form 13I (Consolidated statement of large exposures)

Introduction

IPRU(INV)13.7, consolidated supervision of group companies, applies to you as you are a member of a group.

IPRU(INV) 13.7.2AR states that a category A firm must ensure that it and other members of its group apply the provisions of chapter 13 of IPRU(INV) on a consolidated basis unless:

(1) the group is subject to the consolidated supervision requirements imposed by the FSA rules in another chapter or sourcebook; or

(2) the FSA is not the consolidating supervisor for the firmÕs group.

As the regulated firm is a member of a group, you are required by SUP16.7.47R to report your large exposures to the FSA on a consolidated basis.

A large exposure exists where:

(1) the group is owed a debt by, or is otherwise exposed to, another person, or two or more affiliated persons, and

(2) that exposure equals or exceeds 10% of total consolidated financial resources.

If one group firm is owed a debt by another person, or two or more affiliated persons, then this debt may not be offset by a credit balance with that same person or two or more affiliated persons, in another group company, unless there is a legal right of setoff.

No Large Exposure should exceed 25% of your total consolidated financial resources.

The aggregate of your large exposures should not exceed 800% of your total consolidated financial resources.

You should identify the following in your calculations of large exposures:

(1) an exempt exposure specified in IPRU(INV) Table 13.6.2(1).

(2) any exposure covered by any excess of your total consolidated financial resources over your total consolidated financial resources requirement.

The large exposures should be reported on Form 13I (consolidated statement of large exposures) within the period for submission specified in SUP 16.7.47R.

Form 13I (consolidated statement of large exposures) should be completed at the same date as the consolidated financial resources return.

Guidance

Enter the **total consolidated financial resources** from Page 1 of the consolidated financial resources return.

Calculate 10% of the total consolidated financial resources. This is the **reportable level** of large exposures**.**

Column A	List the names of the counterparties or group of counterparties with whom the group has a large exposure.
Column B	List the level of exposure to each counterparty or group of counterparties.
Column C	Specify the proportion of any exposure which is exempt in accordance with IPRU(INV) Table 13.6.2(1).
Column D	Calculate the net amount of the large exposure after deducting the proportion that is exempt from Column C. The excess of any net large exposure in Column D over 25% of your total consolidated financial resources should be offset against any excess of your total consolidated financial resources over your total consolidated financial resources requirement. If the group does not have a sufficient excess of total consolidated financial resources over its total consolidated financial resources requirement, the FSA will require you to do one of the following: (1) take steps to reduce the level of your large exposure below 25% of your total consolidated financial resources; or (2) introduce additional capital into the group to provide sufficient financial resources to cover the excess of the large exposure over 25% of your total consolidated financial resources.

GUIDANCE NOTES

These guidance notes are intended to provide assistance to a firm in the completion of the annual questionnaire for small personal investment firms. They are not, however, a substitute for the detailed rules and guidance contained in the FSA Handbook and it remains the responsibility of each firm to ensure that it complies with all the requirements of the rules and guidance.

General

The questionnaire must be completed by each firm which was in category B3 and had 25 or fewer financial advisers at the accounting reference date to which the questionnaire relates (but not by a firm which has permission to manage investments).

A questionnaire must be completed as at each accounting reference date of the firm and the answers must be in respect of the period since the firm's previous accounting reference date.

The questionnaire must be returned to the FSA so that it is received by the firm's usual supervisory contact within **FOUR MONTHS** after the accounting reference date.

If there is insufficient space in the questionnaire to answer a question then the information should be provided on a separate sheet or sheets, which must be marked with the firm's name and the FSA firm reference number and the accounting reference date.

The questionnaire sent to the firm by the FSA should be retained as a master copy for each accounting period.

Submission of Accounts

Part 1 of the questionnaire need not be answered by a firm which submits accounts that comply with the following requirements.

a) The accounts must be made up for the same period as that covered by the questionnaire.

b) The accounts must include a profit and loss account, a balance sheet and notes to the accounts which include a statement of the accounting policies adopted. Forms 13A, 13Bi, and 13Bii in SUP16 Ann 7(4)R provide an example of a format which is acceptable. Accounts which have been prepared in the format required by the Companies Acts will be acceptable.

c) If the firm is in a group, then the accounts must be unconsolidated.

d) If the firm is a sole trader, the items included in the accounts must be only those which relate to its business as a member of the FSA.(Separate confirmation in respect of the overall financial position of a sole trader is required by Question 16(a)).

e) Amounts included for all items in the balance sheet and the profit and loss account must be determined in accordance with the accounting principles and rules contained in the Companies Acts and generally accepted accounting standards effective at the relevant time.

f) All amounts must be shown in pounds sterling.

g) The corresponding amount for the financial period immediately preceding must also be shown in respect of every item in the balance sheet and the profit and loss account.

h) No netting is allowed. This means that amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure as the case may be or vice versa.

i) The profit and loss account must disclose the proportion of turnover which was generated by any business which FSA does not regulate.

If the proportion of turnover generated by business not regulated by the FSA (paragraph (i) above) is not disclosed in the accounts then it must be provided in a separate note.

PART 1

The question in this part should only be answered by a firm which has chosen not to submit accounts with the questionnaire.

The questions should be answered as accurately as possible, based upon the firm's accounting records which, in accordance with IPRU(INV) 13.1.13R, must have been kept up to date.

Question 1(a)

This question requires details of the total turnover from the firm's business activities during the period.

This is the total income which the firm has earned from all its operations. It can include commissions received, fees for investment advice and any income from business which the FSA does not regulate.

Question 1(b)

This question requires details of any significant changes in the composition of turnover compared with the previous period.

The firm must analyse the composition of its turnover for the two periods in accordance with the table below and then compare the relative percentages. For the purposes of this question, a significant change is one where the percentage of turnover number from a particular activity differs from one period to the next by more than ten percentage points.

<u>Analysis of turnover</u>

1. Commission income from collective investment scheme business.
2. Commission income from life assurance business on indemnity terms.
3. Commission income from life assurance business not on indemnity terms.
4. Commission income from direct investment business.
5. Income from fees for investment advice.
6. Interest and dividend income.
7. Other income.

If the answer to the question is YES then an explanation must be provided.

Question 1(c)

This question requires the proportion of turnover generated by business which the FSA does not regulate.

An explanation of the nature of the business which the FSA does not regulate must be provided.

Question 2

This question requires details of any material change in the firm's financial position during the period.

For the purpose of this question, a material change is one which represents at least ten per cent of the own funds of the firm as at the accounting reference date (see the guidance to question 4 for details of the own funds calculation). Particular items which should be reported include profits or losses made during the period and the injection or withdrawal of capital from the firm.

If the answer to the question is YES then full details must be provided.

Question 3

This question requires details of the firm's bank position, any fixed asset additions or disposals during the period and any major creditors at the accounting reference date.

The firm should provide the following information-

a) **The firm's bank position.** This should include the bank balance (whether in credit or overdrawn), any overdraft facility and the security given to the bank in respect of the overdraft. Details of when the overdraft facility is due for review are also required.

b) **Any major fixed asset additions or disposals during the period.** For the purpose of this question, a major fixed assets is one which exceeds the higher of £1,000 or ten per cent of the firm's own funds (see the guidance to question 4 for details of the own funds calculation). An addition should be reported at its cost to the business. A disposal should be reported as the gross sale proceeds (before any selling expenses have been deducted). A revaluation, whether upwards or downwards, of a fixed asset should be regarded as an addition or disposal.

c) **The major creditors.** These should be analysed by the type of creditor, such as trade creditors or tax payable. For the purpose of this question, a major creditor is one which exceeds the higher of £1,000 or ten per cent of the firm's own funds. Where possible the amounts reported should be based upon the invoiced value.

PART 2

The questions in this part must be answered by each firm.

Question 4

This question requires the firm to confirm that it has, and has had at all times during the period, own funds of at least £10,000.

IPRU(INV) 13.10 provides details of how the firm should calculate the amounts of its own funds at any time and IPRU(INV) Table 13.10(2) schedules the items which should be included in the computation.

Interim net profits can only be included if they have been verified by an external auditor. Subordinated loans can only be included if they are subject to agreements in the prescribed format to which the FSA is a party.

If the answer is to the question is NO, then the firm must provide an explanation which should include details of when the deficiency occurred, when it was reported to the FSA and the steps which have been taken to resolve the problem.

Question 5

This question requires the firm to confirm whether it is able, and has been able **at all times** during the period, to meet its liabilities as they fall due.

To answer YES to the question the firm must be able to demonstrate that it has sufficient assets available to it to meet any of its liabilities as and when they may need to be paid.

If the answer to the question is NO, then the firm must provide an explanation of the circumstances which must include details of when the failure occurred, when it was reported to the FSA and the steps which were taken to resolve the problem.

Question 6(a)

This question requires the firm to confirm whether it has maintained accounting and other records in accordance with IPRU(INV) 13.1.11R and SYSC 3.2.20R.

A firm must keep records which are sufficient to show at any time that it has complied with the requirements of the FSA Handbook. It must establish procedures and controls to ensure that those records are made promptly and accurately and, where appropriate, brought up-to-date at regular and frequent intervals.

In particular, a firm must keep records of the matters specified in SYSC 3.2.22G. These include details of investment advertisements, customers, transactions, investment staff and appointed representatives, and compliance and complaints.

If the answer to the question is NO, then the firm must provide an explanation of the circumstances and steps taken to resolve the problem.

Question 6(b)

This question requires the firm to confirm whether it has maintained records to enable the FSA to verify the calculations prepared to support the financial declarations made in response to questions 4 (own funds) and 5 (meet its liabilities as they fall due) of the questionnaire.

The rules require that the accounting records of a firm must be kept up-to-date and must disclose with reasonable accuracy **at any time** the firm's financial position at that time and enable the firm to show its continuing compliance with the applicable financial resource requirements. The records must be able to provide the information needed to enable the firm to prepare any calculations needed to support the financial declarations which are required by the rules.

In order to answer YES, the firm should have prepared, as a minimum, calculations as at the accounting reference date which demonstrate it had sufficient own funds and could meet its liabilities as they fall due. These calculations must agree with the underlying accounting records. It should be noted, however, that the firm should be capable of demonstrating that it could also comply with the requirements at all times during the period.

If the answer to the question is NO, then the firm must provide an explanation of the circumstances and the steps taken to resolve the problem.

Question 7

This question requires the firm to confirm whether more than 20 per cent of its new business commission has been generated from any one product provider during the period.

To answer this question the firm must analyse its commission income for the period between the product providers with which it has arranged transactions.

If the answer is YES, then the firm must provide the name of the company or companies from which the commission has been generated, the percentage of income which this represents, and provide an explanation. The reasons given should include comments on the possibility that a high percentage of business with one particular product provider might indicate bias.

Question 8

This question requires the firm to confirm whether it has been asked to repay or has repaid indemnity commission during the period.

If the answer is YES, then the firm must calculate the value of the repayment requests which it has either received or has repaid during the period. This amount will include both repayments which were requested in earlier accounting periods and repaid in this and repayment requests received in this period but not yet repaid.

This amount must then be compared with the commission income which the firm has received on indemnity terms during the period.

If the proportion of repayment requests is more than five per cent then the firm must disclose the proportion and provide an explanation as to why the repayments of commission were required. The firm should also provide details of any of the repayments requests which have not been paid as at the date of completion of this questionnaire.

Question 9

This question requires the firm to state the number of complaints which it has received during the period.

A complaint is defined as any oral or written accusation or expression of grievance made by or on behalf of a complainant against the firm or its appointed representative which alleges

(a) a breach of the rules or guidance;

(b) a failure to comply with any obligation arising under or by virtue of the Financial Services and Markets Act 2000;

(c) negligence, a breach of a term of any client agreement or of any enactment or other rule of law which may be applicable to the relevant business of the firm;

(d) misrepresentation, bad faith or other malpractice,

and indicates that the complainant is, or may be, seeking a remedy from the firm in respect of loss, damage or inconvenience.

The firm is also required by this question to state whether it has complied with the requirements relating to complaints procedures as set out in DISP Chapter 1. These require a firm to establish and maintain written procedures for the proper handling of complaints and to take reasonable steps to ensure that its staff, including its appointed representatives and their staff, are aware of the procedures and their duty to act in conformity with them.

If the answer to the question is NO, then the firm must provide details of the particular requirement with which it has not complied and the steps which it has taken to resolve the problem.

Question 10

This question requires the firm to provide details of any legal proceedings against the firm, its principals or any of its appointed representatives which were outstanding either at the date the questionnaire was completed or at any time during the period.

If the answer to the question is YES, then the firm must provide the following information:-

a) details of all parties involved

b) the amounts involved

c) the reasons for the proceedings

d) the likely date of settlement, if the dispute is expected to be settled

e) the date the proceedings (if not already settled) are expected to be heard

f) any other information which is necessary for a full understanding of the legal proceedings.

Question 11

This question requires the firm to confirm whether it has received, during the period, any cash or cheques made out to it, which should have been made out to a third party.

A firm in category B3 is prohibited from holding or handling client money in connection with its business which is regulated by the FSA. It must establish procedures to ensure that if anyone connected with the firm receives cash or cheques which it is prohibited from receiving, then the amount is counted, recorded and returned immediately to the sender.

The rules allow the following instances where a firm is allowed to receive cash or a cheque from or for a client if it is entirely in the course of a business activity which is not investment business:

» the firm is able to demonstrate that it is regulated for that activity by another regulatory authority or

» the firm is able to demonstrate that the cash or cheque is properly applied for the purposes for which the firm has received it.

Such instances do not need to be reported.

A firm is also allowed to receive cash or cheque from a client in payment of its fees and these payments do not need to be considered for this question.

If the answer is YES, then the firm must provide details of each occurrence together with the action which was taken. All relevant situations should be reported including those where a product provider has issued a cheque which was made out incorrectly to the firm and also where a client has made a cheque out in favour of the firm.

Question 12

This question requires the firm to confirm whether it has temporarily held any designated investments belonging to clients for more than four weeks.

A firm which does not have the permission of arranging safeguarding and administration of assets, or the permission of safeguarding and administration of assets, may receive documents relating to an investment solely for the purpose of onward transmission to, from or at the discretion of the person to whom the investment belongs.For the purposes of this questionnaire we require the firm to report all instances when documents or assets have been held for a client for more than four weeks.

If the answer to this question is YES then the firm must provide a full explanation for each occurrence including the reason why the documents or assets have been kept for more than four weeks.

Question 13(a)

This question requires the firm to confirm whether its investment business activities during the period have been such that it has engaged in business outside its category or permitted activities.

In order to answer NO to this question the member must have restricted its investment business activities to those which are allowed by the category and permitted activities for which the FSA has granted its permission.

If there is any doubt about whether or not the firm’s activities have fallen within the scope of its category or permitted activities then reference should be made to AUTH 3.5.3.G.and part II of the Regulated Activities Order.

If the answer to the question is YES then the firm must provide an explanation, including the type of business transacted, the date when the rule breach was reported to the FSA and the steps which have been taken to resolve the problem.

Question 13(b)

This question requires the firm to confirm whether it has any close links with other persons, which have not been previously notified to the FSA.

A close link exists in a situation where two or more persons, by which is meant corporate or unincorporated bodies or individuals, are linked either by common ownership or by control, such as the relationship between a parent company and its subsidiary.

If the answer to the question is YES then the firm must provide full details of close links not already notified including the nature of the close link and when the change which gave rise to it took place. The FSA is required to consider all close links to ensure that there is nothing which could prevent effective supervision, such as a group structure where it is impossible to identify the ultimate controllers.

Question 14

This question requires the firm to confirm whether it has complied with the requirements relating to training & competence. Full details of the requirements are set out in the Training & Competence Sourcebook.If the answer to the question is NO, then the firm must provide details of the particular requirement with which it has not complied and the steps which it has taken to resolve the problem.

PART 3

The questions in this part must be answered by incorporated businesses only.

Question 15(a)

This question requires the firm to confirm whether its most recent statutory accounts have been prepared and submitted to the Registrar of Companies in accordance with the Companies Act timetable.

The Companies Acts require that a private limited company must file its statutory accounts with the Registrar of Companies within ten months of its accounting reference date. A public limited company must file its accounts within seven months. A firm which is authorised as a result of its membership of the FSA is not allowed to take advantage of the exemption which allows some small and medium-sized companies to file abbreviated accounts with the Registrar.

If the answer to the question is NO, then the firm must provide an explanation, including the reason why the statutory accounts were not submitted to the Registrar within the time allowed.

Question 15(b)

This question requires the firm to confirm whether the audit opinion given in respect of its most recent set of statutory accounts contained any qualification or included any reference to a fundamental uncertainty.

A limited company is required to appoint an auditor whose duty is to report to the members of the company of the firm's annual accounts. The auditor's report must state whether in his opinion the accounts have been prepared in accordance with the Companies Acts and whether they give a true and fair view.

It should be noted that a company which is regulated by the FSA cannot take advantage of the small company exemption from the Companies Act requirement to have an annual audit.

The auditor must undertake his audit in accordance with approved Auditing Standards.

In certain circumstances, he will have to qualify his audit opinion for example because of a limit placed on the scope of his work or because of a disagreement over an accounting treatment or disclosure. In some circumstances the auditor may decide that there is fundamental uncertainty about the validity of the going concern assumption in the preparation of the accounts and he will have to refer to this in the audit report.

If the answer to the question is YES, then the firm must provide a full explanation of the circumstances together with a copy of the relevant accounts and the audit report.

Question 15(c)

This question requires the firm, if it is a holding company or if any of its qualifying holders is a company, to submit, with the questionnaire, a copy of the latest available audited, consolidated annual financial statements for the group and an organisation chart, which traces the route to the ultimate qualifying holder or holders.

This is required by SUP 16.7.55R. In practice it is likely that the most recently available consolidated accounts will be for the accounting reference date at the beginning of the period for which the questionnaire is submitted.

The organisation chart should be up-to-date and show clearly the structure of the group and the manner in which the control is exercised by the ultimate qualifying holder or holders.

If the required documents are not being submitted with the questionnaire then the reasons must be fully explained.

Question 15(d)

This question requires the firm to confirm whether it has received an auditor's report to management during the period.

If the answer to the question is YES, then the firm should send to the FSA a copy of the report. If the report contains recommendations to remedy any weakness in the firm's procedures or internal controls, then the firm should, at the same time, also provide the FSA with a statement setting out either how the recommendations are being implemented or, if the firm is not implementing the recommendations, the reasons for that decision.

If the firm has received an auditor's report but not already sent it to the FSA, then it must provide a full explanation of the reasons for not having done so and also submit, with the questionnaire, a copy of the report and statement of remedial action.

PART FOUR

The questions in this part must be answered by unincorporated businesses (sole traders and partnerships) only.

Question 16(a)

This question should only be answered by a firm which is a sole trader.

It requires the individual who is the sole trader to confirm that the total of his or her personal and business assets exceeds the total of his or her personal and business liabilities and also that the sole trader will be able to meet those liabilities as they fall due.

Because the business assets of a sole trader are available to settle personal liabilities, the FSA requires comfort that the sole trader is solvent on an overall basis, by comparing his or her total assets with the total liabilities. This is in addition to the confirmation asked for in questions 4 and 5 in respect of the firm's financial position.

To answer the question the individual will need to list the values of the relevant assets and liabilities and compare them to ensure the requirements are met.

If the answer is NO then the sole trader must provide a full explanation together with details of the steps which are being taken to resolve the problem.

Question 16(b)

This question should only be answered by a firm which is a partnership.

It requires the firm to confirm that the personal assets of each individual partner exceed his or her personal liabilities and that the partner can meet those liabilities as they fall due.

The FSA requires confirmation that each partner is solvent. This is in addition to the confirmation asked for in questions 4 and 5 in respect of the firm's financial position.

To answer the question the firm will have to consider the personal position of each partner and ensure that the requirement is met in each case.

If the answer to the question is NO then the firm must provide a full explanation together with details of the steps which are being taken to resolve the problem.

Question 16(c)

This question requires the firm to confirm that when answering question 16(a) or 16(b) it has applied the accounting principles set out in SUP 16 Ann 7R (Section 5, Table 1R) and included as a liability a provision for taxation on the whole of its profits up to the date when the last balance sheet was prepared.

SUP 16 Ann 7R (Section 5, Table 1R) requires that any amounts included in the schedules used to support the answers given to the previous two questions must be determined in accordance with the accounting principles and rules contained in the Companies Act and generally accepted accounting standards.

It is important to ensure that any taxation which may be payable by the sole trader or partners on the profits of the firm up to the accounting reference date is recognised as a liability in the schedules.

If the answer to the question is NO, then a full explanation must be provided.

Question 17

This question should only be answered by a firm which is a sole trader.

The firm is required to confirm that it has reviewed its arrangements in accordance with SYSC 3.2.19G to ensure they remain effective to safeguard the interests of customers in the event of the absence, illness, disability or death of any essential member of staff.

Each firm is required to review annually its arrangements in accordance with SYSC 3.2.19G to ensure that they remain effective and a firm which is a sole trader must notify the FSA that it has carried out the review.

If the answer is YES, then the firm should also provide any details of the change in the arrangements or confirm that no changes are required.

If the answer is NO, then the firm must provide a full explanation of the reasons why the review has not been completed.

DECLARATION

The Declaration must be completed by each firm.

It is most important that the declaration is signed by the relevant principals of the firm. They are required to confirm that the answers to the questionnaire have been given only after appropriate enquiries have been made and these will be subject to verification checks during routine monitoring visits.

(for FSA use only)

Annual questionnaire for Authorised professional firms

FSA Handbook Reference: SUP16 Annex 9R

20 September 2001

Name of firm	
FSA firm reference number	

The Financial Services Authority
Notification, Reporting and Data Maintenance Department
11th Floor
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom
Telephone +44 (0) 20 7676 1000
Website http://www.fsa.gov.uk

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Guidance notes

This form should be completed only by authorised professional firms as defined in the FSA's Handbook of rules and guidance.

Completing this Form

This form must be submitted to the FSA within four months of the accounting reference date to which it relates.

The Form must be completed in black ink and (if in manuscript) in BLOCK LETTERS.

All dates must be provided in numeric form (e.g. 29/02/2000 for 29 February 2000).

Tick the appropriate box where a yes/no answer is required.

Further details must be given in section 4 (supplementary information) if there is insufficient space for a detailed answer.

Additional information can be attached to the Form. It must be securely attached to the rest of the form and you must indicate at question 4.02 the number of additional sheets attached.

Expressions in the form in italics have the meaning given in the Glossary to the FSA's Handbook of rules and guidance (or, if no meaning is given there, are to be interpreted in accordance with the related expressions defined in the Glossary).

Section 1 – Professional regulation

This section must be completed to show which of the designated professional bodies the firm is regulated by.

Section 2 – Supervision and monitoring data

The questions must be completed for the period ending on the firm's latest accounting reference date.

Section 3 – Financial resources and reporting

The questions must be completed for the period ending on the firm's latest accounting reference date.

Section 4 – Supplementary information

This section provides space for additional information which could not be included elsewhere in the form. If there is still insufficient space, please use a separate sheet or sheets, marked with the firm's name and FSA firm reference number.

Declaration

The declaration must be signed as follows:

(i) If the firm is a sole practitioner, by that person;

(ii) If the firm is a partnership (or limited liability partnership), by two partners (or designated members);

(iii) If the firm is a company, by two directors. If the company has only one director, by the director and the Company Secretary.

PLEASE RETURN COMPLETED FORM TO:

THE FINANCIAL SERVICES AUTHORITY
SUPERVISION OF PROFESSIONAL FIRMS
25 THE NORTH COLONNADE
CANARY WHARF
LONDON E14 5HS
UNITED KINGDOM

Information about the firm's professional regulation — Section 1

1.01 Indicate whether the firm is:

a	an individual who is entitled to practice a profession regulated by a designated professional body and in doing so is subject to its rules; or	YES ☐ NO ☐
b	a person (not being an individual) which is managed and controlled by one or more individuals each of whom is entitled to practice a profession regulated by a designated professional body and in doing so is subject to the rules of the designated professional body.	YES ☐ NO ☐

1.02 To which of the following designated professional bodies is the firm subject?

PLEASE TICK ALL APPROPRIATE BOXES

The Association of Chartered Certified Accountants	☐
The Institute of Actuaries	☐
The Institute of Chartered Accountants in England & Wales	☐
The Institute of Chartered Accountants in Ireland	☐
The Institute of Chartered Accountants of Scotland	☐
The Law Society (England & Wales)	☐
The Law Society of Scotland	☐
The Law Society of Northern Ireland	☐

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

		Latest period £000	Previous period £000
2.01 a	What was the total income (excluding VAT) from all the business activities (including regulated activities) of the firm during the latest and previous periods?		
	Please state length of period if not 12 months		

b Please indicate the firm's **four main business activities**.

1. Accounts preparation/bookkeeping ☐	18. Defamation ☐
2. Audit ☐	19. Employment ☐
3. Business start-ups ☐	20. Human Rights ☐
4. Consultancy ☐	21. Immigration ☐
5. Corporate Finance ☐	22. Intellectual Property ☐
6. Information Technology ☐	23. Landlord & Tenant ☐
7. Insolvency ☐	24. Matrimonial/Family ☐
8. Investment business ☐	25. Personal Injury ☐
9. Payroll preparation ☐	26. Planning ☐
10. Taxation ☐	27. Probate/Executory ☐
11. Pensions advice to individuals ☐	28. Professional Negligence ☐
12. Advice to pension scheme trustees ☐	29. Property/Conveyancing ☐
13. Technical advice to product providers ☐	30. Road Traffic ☐
14. Banking & Finance ☐	31. Trusts ☐
15. Competition ☐	32. Other ☐
16. Corporate/Commercial ☐	
17. Crime ☐	Specify: ______________________________

c Does the firm have any branches or other places of business? YES ☐ NO ☐

d Does the firm have any appointed representatives? YES ☐ NO ☐

If YES, how many?

(Give figure as at the date of this questionnaire)

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

		Latest period £000	Previous period £000
2.02 a	What was the total income from the firmĜs regulated activities during the latest and previous periods? (Income excludes commission rebated to clients (as defined for PROF) or used to enhance policies)		

b During the period, what proportion of this income was generated from the following regulated activities?

(An estimate to the nearest 10% is sufficient)

		Percentage	
i)	Fund management		(see 3.09)
ii)	Corporate finance		(see 2.04)
iii)	Packaged products		
iv)	Other		
	TOTAL	**100**	

		£000
2.02 c	How much income from regulated activities arose from **retained** commission **received from third parties**? (An estimate to the nearest 10% is sufficient.)	

d Did the firm during the period carry on any regulated activities in relation to

(i)	Trusts	YES ☐ NO ☐
(ii)	Powers of attorney	YES ☐ NO ☐
(iii)	Pension transfers/pension opt-outs	YES ☐ NO ☐
(iv)	FSAVCs	YES ☐ NO ☐
(v)	Endowments	YES ☐ NO ☐
(vi)	Handling client money (i.e. money held in the course of designated investment business)	YES ☐ NO ☐
(vii)	Handling custody assets (i.e. assets held in the course of designated investment business e.g. custodial investments)	YES ☐ NO ☐

e Did the firm during the period introduce clients to other authorised persons? YES ☐ NO ☐

2.03 How many transactions during the period in the course of regulated activities were execution-only transactions?

PLEASE TICK APPROPRIATE BOX

None	☐
1 –10	☐
> 10	☐

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

2.04 Did the firm carry out any corporate finance business in the period? YES ☐ NO ☐

If YES
Describe the nature of services provided during the period (summarise if necessary), and indicate whether the firm or any individual, company or trust within or associated with the firm, has taken an equity share as a result of a deal or been remunerated on a contingency basis.

Nature of services provided	**Equity share taken or contingency basis for fee?**
	YES ☐ NO ☐
	YES ☐ NO ☐
	YES ☐ NO ☐
	YES ☐ NO ☐
	YES ☐ NO ☐

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

2.05 Were any life policies, including pension policies arranged by the firm **surrendered** or **cancelled** in the period? YES ☐ NO ☐

If YES

(i) How many?

(ii) Are any of them associated with a complaint against the firm about poor advice on investments? YES ☐ NO ☐

If YES, how many?

2.06 Was the firm been asked to repay or did it repay **indemnity** commission during the period? YES ☐ NO ☐

If YES

(i) On how many cases?

(ii) Do these requests for repayment represent more than 5 per cent of the firm's commission income received on indemnity terms during the period? YES ☐ NO ☐

2.07 Since the accounting reference date, have there been, or will there be, changes in the way the firm carries on its regulated activities or other business, which may have a material effect on the type and volume of such work? YES ☐ NO ☐

If YES, please explain the main changes and their expected effects.

(e.g. New branch or department dealing with regulated activities, new computer systems, employment of staff with relevant expertise, merger of businesses, hiving off of business area dealing with regulated activities)

2.08 a Has the firm maintained **accounting and other records** in accordance with the FSA's Handbook of rules and guidance? YES ☐ NO ☐

If NO, please explain

b Has the firm maintained records to enable the FSA to verify the calculations prepared to support the financial declarations made in this questionnaire? YES ☐ NO ☐

If NO, please explain

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

2.09 **a** Expiry date of the firm's current professional indemnity policy.

(For firms who are members of the Law Society of Scotland: please give details of the firm's professional indemnity insurance under the Law Society of Scotland's Master Policy.)

b Limit of indemnity

c Excess per claim

d Annual premium

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

3.01 a Was there any material change in the firm's income (from all activities) during the period as compared with the previous period? YES ☐ NO ☐

If YES, please give details
For the purposes of this question 'material' is regarded as 25% of total income at the end of the accounting period, but will depend also on the size and nature of the firm's business.
Details should include the actual change in the figures to show the impact and the reasons for the change, which might include opening a new branch/office, gain/loss of sources of business, downsizing/merger.

b Has the firm made a profit after tax for the period? YES ☐ NO ☐

If NO, please explain how the loss has occurred.

3.02 a If the firm has produced accounts with a balance sheet as at the end of the period ending on the firm's latest accounting reference date, please state the firm's total:

	Latest Accounting Reference Date	**Previous Accounting Reference Date**
(i) net assets, or		
(ii) net liabilities		

b If the firm has net liabilities, please explain how the firm has met its liabilities and will continue to meet them as they fall due in future

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

3.03 **a** Please state the firmÕs net bank position at the firmÕs latest accounting reference date

(i) net credit balance (£000), or

(ii) net overdrawn balance (£000)

b Overdraft facility (£000)

c Overdraft review date

d Details of security for the overdraft

3.04 Please state whether the firm has any other loans. YES ☐ NO ☐

If YES, please give details

3.05 If the above bank balance is overdrawn by more than the overdraft limit, please provide details of the current position and explain how the firm has met and will continue to meet its liabilities as they fall due.

3.06 **Contingent liabilities**
Are there outstanding any legal proceedings or County Court Judgements or Decrees (Scotland) against the firm or its principals or any other contingent liabilities that may affect the firmÕs ability to meet its liabilities as they fall due in the future? YES ☐ NO ☐

If YES, please give details

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

3.07 **Solvency**

Have the partners/directors of the firm carried out appropriate procedures to enable them to satisfy themselves that the firm is able to meet its liabilities as they fall due until the end of the current accounting period (or twelve months from the last accounting reference date, if later)?

(Supporting papers should be retained. The FSA may at any time require a firm to produce evidence to demonstrate that it can meet this requirement.)

YES ☐ NO ☐

3.08 **Pensions/FSAVCs**

Has the firm had to review any pension transfer/pension opt out or FSAVC cases? (This information is additional to that information provided in the return to the Pensions Review Monitoring Department)

YES ☐ NO ☐

If YES, please provide the following information in respect of the amounts that have been included in the firmÕs accounts to its latest accounting reference date, or would be included if the accounts had been prepared by the date of signature of this Questionnaire

	Accounting Reference Date	**£000**
a The provision in respect of redress		
b The provision for the cost of conducting the review to completion		
c Details and amounts of any contingent liabilities not recorded on the balance sheet in respect of pension transfers and pension opt outs or FSAVCs		

3.09 **Fund management**

Did the firm provide any investment management services during the period?

YES ☐ NO ☐

If YES, please provide the following information

a If this includes **discretionary** management, what type of services has the firm provided during the period?

(e.g. Managing investments for private customers/intermediate customers/non-UK customers, trustee activities, ISA manager)

b Funds under **discretionary** management	**Date**	**£000**
(i) At the start of the accounting period		
(ii) At the end of the accounting period		
(iii) At latest practicable date within 1 month of date of signature of the Declaration on page 12.		

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

			Date	£000
3.09	**c**	Funds under **non-discretionary** management		
		At latest practicable date within 1 month of date of signature of the Declaration on page 10.		
	d	**Total funds** under management (exclude Ôcustody onlyÕfunds)		
		At latest practicable date within 1 month of date of signature of the Declaration on page 12.		

I have supplied further information related to this page in Section 4 YES ☐ NO ☐

4.01 Please use this space to provide any additional information relating to the previous sections.

If there is insufficient space, please continue on a separate sheet of paper, and clearly identify the section and question to which the additional information relates. Please include the name of the firm and the FSA firm reference number.

Question	Information

4.02 How many additional sheets are being submitted?

Declaration

THIS DECLARATION MUST BE COMPLETED BY ALL FIRMS

I/ we confirm that the firm is, and continues to be, an 'authorised professional firm' as defined in the Financial Services Authority's Handbook of Rules and Guidance.

I/ we declare that the firm is able to meet its liabilities as they fall due until the end of the current accounting period (or twelve months from the last accounting reference date, if later).

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Name of firm	
FSA firm reference number	
Name of first signatory	
Position of first signatory	
Signature of first signatory	
Date	
Name of second signatory	
Position of second signatory	
Signature of second signatory	
Date	

The declaration must be signed as follows:

(i) If the firm is a sole practitioner, by that person;

(ii) If the firm is a partnership (or limited liability partnership), by two partners (or designated members);

(iii) If the firm is a company, by two directors. If the company has only one director, by the director and the Company Secretary.

SUP 16 Ann 10R: Securities and futures firms' reporting forms and requirements applying to their completion

1. Standard reporting statement for securities and futures firms which are ISD firms

2. Consolidated reporting statement for securities and futures firms

3. Standard reporting statement for securities and futures firms which are not ISD firms

4. Large exposures monitoring (LEM 1) quarterly return

5. Large exposures monitoring (LEM 2) quarterly return

6. Securities and futures firms; Form and content of reports

STANDARD REPORTING STATEMENT
FOR SECURITIES AND FUTURES FIRMS WHICH ARE ISD FIRMS

Standard Reporting Statement (Securities and futures firms which are ISD firms)

Firm Code	Statement Date	Currency	Date Submitted

Final Version ______ Modem Confirmation Number ______

DECLARATION

(a) This statement has been drawn up in accordance with the rules in IPRU(INV) 10 which are relevant to the firm in calculating the firm's financial resources. It has been prepared from, and is in agreement with, the books and records of the firm.

(b) The firm's accounting records, systems and controls are maintained in accordance with IPRU(INV) 10 and SYSC 3.2.20R.

(c) We are not aware of any matters which could have a material effect upon the financial position of the firm before the due date of the next statement, which are not declared herein, or have not been notified to, and acknowledged by, the FSA.

(d) Since the date of the last reporting statement, the firm has/has not* been in compliance with IPRU(INV) 10 except as already notified to the FSA. {* Delete as appropriate}

(e) Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.11R requires an authorised person to submit reports containing all the information required. APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. If there is any doubt about the relevance of information, it should be included.
We confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that we have read the Guidance Notes to this form.

Signature ____________________ Position ____________________ Date ____________________

Signature ____________________ Position ____________________ Date ____________________

BALANCE SHEET

Fixed assets	Intangible 1	Land & buildings 8	Other tangible 15	Investments 16	17 1+8+15+16
Current assets Stock & investments	Non trading book 2	Trading book 9	Commodities 9A		18 2+9
Trading book debtors (subject to CRR)	Non affiliate due within 90 days 3	Non-affiliates due after 90 days 10	Affiliates due within 90 days 10A	Affiliates due after 90 days 10B	19 3+10
Non trading book debtors	4	11	11A	11B	20 4+11
Loans	5	12	12A	12B	21 5+12
Other assets	6	13	13A	13B	22 6+13
Prepayments					23
Cash at bank & in hand Segregated	Non-Affiliates 24A		Affiliates 24B		24 24A+24B
Non segregated	Qualifying 7	Non qualifying 14	Qualifying 14A	Non qualifying 14B	25 7+14
Total assets					26 sum(17-25)

Liabilities					
Bank loans and overdrafts					
Segregated					27
	Affiliates Due within 1 year	Non Affiliates Due within 1 year	Affiliates Due after 1 year	Non Affiliates Due after 1 year	
Non segregated	28	33	33A	33B	38 28+33
Trading book creditors	29	34	34A	34B	39 29+34
Non trading book creditors (including accruals, deferred income & provisions)	30	35	35A	35B	40 30+35
Subordinated loans	Due within 1 year		Due after 1 year		
Short term	31		36		41 31+36
	Fixed term		Non-fixed term		
Long term	32		37		42 32+37
Total liabilities					43 sum(38-42) + 27
Net assets					44 26-43

Capital					
Corporate					
Ordinary shares					65
	Fixed term	Non fixed term			
Non cumulative preference shares	45	46			66 sum(45-48)
Cumulative preference shares	47	48			
Share premium account					67
Other Reserves					68
Revaluation reserve					69
Profit/(loss)	Externally audited		Unaudited trading book	Unaudited non trading book	
Previous years	49		51	52	70 sum(49-56)
Current year	53		55	56	
Partnership/Sole trader					
Capital account					71
Current account	Externally audited		Unaudited trading book	Unaudited non trading book	
Previous years	57		59	60	
Current year	61		63	64	72 sum(57-64)
Total capital					73 sum(65-72)

PROFIT & LOSS

Revenue		Note 1	
Dealing profit/(loss)			74
Gross commission and brokerage			75
Investment management fees			76
Corporate Finance			76A
Interest and dividends receivable			77
Other revenue			78
Total revenue for the period			79 sum(74 78)

	Items not in relevant annual expenditure	Items in relevant annual expenditure
Commission and brokerage	80	85
Establishment costs		86
Staff costs	81	87
Bad and doubtful debts		88
Intercompany charges		89
Interest payable	82	90
Foreign exchange losses	83	91
Exceptional and other expenses	84	92

Profit/(loss) before tax	93	79-sum(80.92)
Tax reclaimed/(provided)	94	
Add/(less) reserves	95	
less Dividend payable	96	
Retained profit/(loss) for the period	97	sum(93.95)-96

Note 1: Box 74 will drill down to 6 boxes for member firms to input their 5 main income centres

FINANCIAL RESOURCES

Initial capital	SUM(65+45+46+67+68+57+61+49+53+71)		98
Investments in own shares			99
Intangible assets	1		100
Material unaudited losses	IF -(59+60+63+64 +51+52+55+56) >10%*98 THEN (59+60+63+64 +51+52+55+56) OTHERWISE NIL		101
Original own funds	(98 - 99 - 100 - 101)		102
Non-fixed term cumulative preference shares			103
Fixed term cumulative preference shares			105
Non-fixed term long term subordinated loan			106
Fixed term long term subordinated loan			104
Revaluation reserve			107
Liquidity adjustment on illiquid assets			108
Liquidity adjustment on other non trading book assets			109
Charged assets			110
Contingent liabilities			111
Deficiencies in subsidiaries			112
Short term subordinated loans			113
Net interim trading book profit/(loss)	(51+52+55+56) - 101		114
Net interim trading book partners' current account	(59+60+63+64) - 101		115
		Group	Non group
Material holdings in credit institutions and investment firms		116A	116
Financial resources	sum(102.107) - sum(108.112) + 113+114+115-116-116A		117

POSITION RISK REQUIREMENT

Positions treated under the equity method		Valuation of Longs	Valuation of Shorts	PRR
Positions	in method 1	301	305	309
	in method 2	302	306	310
	in method 3	303	307	311
	in method 4	303A	307A	311A
	additional requirements			312
	Totals	304 sum301.303	308 sum305.307	313 sum309.312
Details of positions treated in the equity method				Net valuation of instrument
	equity	314	323	332
	preference securities	315	324	333
	convertibles	316	325	334
	company issued warrants	317	326	335
	equity options	318	327	336
	index futures	319	328	337
	index options	320	329	338
	others	321	330	339
	Positions netted under IPRU(INV) 10-83R	322	331	339A

Equity derivatives treated outside the equity method

	Aggregate MTM value of underlying	Net valuation of derivatives	PRR
Hedging method	340	341	346
Margin requirement method		342	347
Basic method			
purchased options and warrants		343	348
written options and warrants		343A	349
Total		344 sum 341..343	350 sum346.349
MTM of cash positions included in hedging method		345A	
		345 344 + 345A	

Equity and equity derivative positions treated under approved risk assessment models not included above

Net valuation of options	351	
Net valuation of futures	352	
Net valuation of cash instruments	353	
Total PRR		354

Positions treated under the interest rate method					Valuation of Longs	Valuation of Shorts	General Market Risk
Positions in Maturity Based approach	Method 1				360	364	368
	Method 2				361	365	369
Positions in Duration based approach					362	366	370
Interest rate risk on equity derivatives							371
Additional requirements							372
Totals					363 sum 360.362	367 sum 364..366	374 sum368.372
		0.125%	0.25%	1.00%	1.60%	8.00%	Total
Specific risk		375	376	377	378	379	380 sum375.379
Total PRR							381 374 + 380

Details of positions included in interest rate method			Net valuation of instrument
debt securities	400	411	422
non-convertible preference securities	401	412	423
convertibles	402	413	424
options on debt securities	403	414	425
options on interest rates	404	415	426
futures on interest rates	405	416	427
forwards and futures on debt securities	406	417	428
interest rate and currency swaps	407	418	429
options on swaps	408	419	430
others	409	420	431
Positions netted under IPRU(INV) 10-102R	410	421	431A

Interest rate derivatives treated outside the interest rate method		Aggregate MTM value of underlying	Net valuation of derivatives	PRR
Hedging method		432	433	439
Margin requirement method			434	440
Basic method	purchased options and warrants		435	441
	written options and warrants		436	442
Total			437 sum 433.437	443 sum439.442
MTM of cash positions included in hedging method			438	
Total valuation			439 437+438	
Interest rate and interest rate derivatives positions treated under risk assessment models not included above				
Net valuation of options			450	
Net valuation of swaps			451	
Net valuation of futures			452	
Net valuation of cash instruments			453	
Total PRR				462

	Net valuation	PRR
Issuing market method	455	459
Commodities	456	460
Other positions not included in above methods	457	461
Total sum (332.339) +345 + sum(351.353) + 439 + sum (422.431) + sum(450.457)	458	463 313 + 350 + 354 + 381 + 443 + sum(459.462)

FOREIGN EXCHANGE RISK REQUIREMENT	Note 2	242	501+502

COUNTERPARTY RISK REQUIREMENT	Assets		Liabilities		CRR	
Cash against documents	243		249		254	
Free deliveries	244				255	
Repurchase, reverse repurchase, securities borrowing and lending and sale and buy back agreements	245		250		256	
Derivatives Transactions - exchange listed	246		251		257	
- OTC	246A		251A		257A	
Deposits and other amounts due arising from trading book activities	247		252		258	
Total balance sheet debtors and creditors and CRR	248	sum(243.247)	253	sum(249.252)	259	sum(254.258)

Note 2: Box 242 will drill down in to a screen detailing foreign exchange exposures and FER (see next page)

FOREIGN EXCHANGE RISK REQUIREMENT

FER Method 1

Currency Code		Balance Sheet Debits/Credits	Forward Contracts	Futures Contracts	Options Contracts	Other	Net for Currency
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						

Total net long positions	
Less: Total net short positions	
8% of total long positions = Requirement	501

FER Method 2

Total long positions	
Total short positions	
Requirement	502

CREDIT EXPOSURE

Intra Group Exposures
10 largest intra group exposures

Name of Company		Gross Exposure	Net Exposure (if netting agreement in place)
200A		200B	200C
201A		201B	201C
202A		202B	202C
203A		203B	203C
204A		204B	204C
205A		205B	205C
206A		206B	206C
207A		207B	207C
208A		208B	208C
209A		209B	209C

Non group Exposures
10 largest gross exposures

Name of Company		Gross Exposure	Net Exposure (if netting agreement in place)
210A		210B	210C
211A		211B	211C
212A		212B	212C
213A		213B	213C
214A		214B	214C
215A		215B	215C
216A		216B	216C
217A		217B	217C
218A		218B	218C
219A		219B	219C

10 largest net exposures (only where there is a netting agreement in place) if not included above

Name of Company		Net Exposure
220A		220B
221A		221B
222A		222B
223A		223B
224A		224B
225A		225B
226A		226B
227A		227B
228A		228B
229A		229B

LARGE EXPOSURES REQUIREMENT

Name of counterparty	**Trading book exposure**	**Non-trading book exposure**	**LER**
270 A Narrative	270	282	294
	260	272	284
	261	273	285
	262	274	286
	263	275	287
	264	276	288
	265	277	289
	266	278	290
	267	279	291
	268	280	292
Others	269	281	293
Total	271 sum(260.270)	283 sum(272.282)	295 sum(284.294)

Base requirement		296	
Primary requirement	higher of initial capital requirement and (242 + 259 + 295 + 296 + 463)	297	
Secondary requirement		301	
FINANCIAL RESOURCES REQUIREMENT		302	297 + 301

Reconciliations	Date of last reconciliation
Crest	
LCH	
Euroclear	
Cedel	
Safe custody nominees	
Other depots	
Intermediate brokers - UK	
Intermediate brokers - Overseas	
Clients' money bank accounts - UK	
Clients' money bank accounts - Overseas	
Collateral	

Part 30 report

This schedule applies only to a firm subject to CFTC part 30 exemption order in respect of open positions for LME transactions of US customers.

Client Money And Other Assets (COB 9.3.141 – COB 9.3.144)

	Number	Value	
Omnibus letter of credit			
(a) Balance per previous reporting date		664	
(b) Addition		665	
(c) Termination/cancellation		666	667 664+665-666 a + b - c
Secured amount			
(a) Deficit open trade equity on LME		668	
(b) House losses at LCH		669	
(c) Deficit open trade equity of non LME customers at LCH		670	
(d) LME forward profit		671	672 Lower of d or Total (a to c)
Excess/(deficiency)			673 667-672

Number of occasions when the omnibus letter of credit was deficient					
Total excess/(deficiency) for individual letter of credit					
	secured amount	value of letter of credit	excess/(deficiency)	date rectified	
(a)			674		
(b)			675		
(c)			676		
(d)			677		
(e)			678		679 SUM(674..678)
Number of occasions when any one individual letter of credit was deficient					

“FLOATING WINDOW”

Financial Resources	415	117
Base requirement	416	296
Position Risk Requirement	417	463
Foreign Exchange Risk Requirement	418	242
Counterparty Risk Requirement	419	259
Large Exposures Requirement	419A	295
Secondary Requirement	420	301
Excess (Deficit) 415-302	421	
Percentage 415/302	422	

CONSOLIDATED REPORTING STATEMENT FOR SECURITIES AND FUTURES FIRMS

Consolidated Reporting Statement for securities and futures firms

Firm Code	Statement Date	Currency	Date Submitted

Final Version | Modem Confirmation Number

DECLARATION

(a) This statement has been drawn up in accordance with the rules in IPRU(INV) 10 which are relevant to the firm in calculating the firm's financial resources. It has been prepared from, and is in agreement with, the books and records of the firm.

(b) The firm's accounting records, systems and controls are maintained in accordance with IPRU(INV) 10 and SYSC 3.2.20R.

(c) We are not aware of any matters which could have a material effect upon the financial position of the firm before the due date of the next statement, which are not declared herein, or have not been notified to, and acknowledged by, the FSA.

(d) Since the date of the last reporting statement, the firm has/has not* been in compliance with IPRU(INV) 10 except as already notified to the FSA.
{* Delete as appropriate}

(e) Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.11R requires an authorised person to submit reports containing all the information required. APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. If there is any doubt about the relevance of information, it should be included.

We confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that we have read the Guidance Notes to this form.

Signature ______________________ Position ______________________ Date ______________________

Signature ______________________ Position ______________________ Date ______________________

CONSOLIDATED FINANCIAL RESOURCES TEST

A	B	C	D	E	F	G	H
Subsidiary	Local Regulator [or state if unregulated]	Parent’s Investment in Subsidiary / Participation	Subsidiary’s / Participation’s Local Financial Resources [where different from C]	Subsidiary’s / Participation’s Local Financial Resources Requirement [or ‘notional requirement’ if unregulated]	Surplus/(Deficit) in Subsidiary at Local Level [D-E]	Subsidiary’s “Externally Generated” etc. Financial Resources [usually D-C]	Financial Resource Requirement for Consolidated Capital Test [> C or E]
(name)	(name of body)	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)

Total Financial Resource Requirements of Subsidiaries etc.	[I = Sum H]
Parent/Holding Company’s Financial Resource Requirement	[J]
Total Consolidated Financial Resource Requirement	[K = I + J]

Total Subsidiary Externally Generated Financial Resources	[L = Sum G]
Parent/Holding Company’s Financial Resources	[M]
Total Consolidated Financial Resources	[N = L + M]

Total Consolidated Excess/Deficiency	[O = N - K]

STANDARD REPORTING STATEMENT
FOR SECURITIES AND FUTURES FIRMS WHICH ARE NOT ISD FIRMS

Standard Reporting Statement

(Securities and futures firms which are not ISD firms)

Firm Code	Statement Date	Currency	Date Submitted

Final Version		Modem Confirmation Number	

DECLARATION

(a) This statement has been drawn up in accordance with the rules in IPRU(INV) 3 which are relevant to the firm in calculating the firm's financial resources. It has been prepared from, and is in agreement with, the books and records of the firm.

(b) The firm's accounting records, systems and controls are maintained in accordance with IPRU(INV) 3 and SYSC 3.2.20R.

(c) We are not aware of any matters which could have a material effect upon the financial position of the firm before the due date of the next statement, which are not declared herein, or have not been notified to, and acknowledged by, the FSA.

(d) Since the date of the last reporting statement, the firm has/has not* been in compliance with IPRU(INV) 3 except as already notified to the FSA. {* Delete as appropriate}

(e) Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.11R requires an authorised person to submit reports containing all the information required. APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. If there is any doubt about the relevance of information, it should be included.

We confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that we have read the Guidance Notes to this form.

Signature ________________ Position ________________ Date ________________

Signature ________________ Position ________________ Date ________________

BALANCE SHEET

Fixed assets	Intangible 1	Land & buildings 8	Other tangible 15	Investments 16	17 1+8+15+16
Current assets Stock & investments					18 2+9
Trade debtors (subject to CRR)	Non affiliates due within 90 days 3	Non-affiliates due after 90 days 10	Affiliates due within 90 days 10A	Affiliates due after 90 days 10B	19 3+10
Non trade debtors	4	11	11A	11B	20 4+11
Loans	5	12	12A	12B	21 5+12
Other assets	6	13	13A	13B	22 6+13
Prepayments					23
Cash at bank & in hand Segregated	Non-Affiliates 24A		Affiliates 24B		24 24A+24B
Non segregated	Qualifying 7	Non qualifying 14	Qualifying 14A	Non-qualifying 14B	25 7+14
Total assets					26 sum(17-25)

	Affiliates Due within 1 year	Non Affiliates Due within 1 year	Affiliates Due after 1 year	Non Affiliates Due after 1 year	
Liabilities					
Bank loans and overdrafts					
Segregated					27
Non segregated	28	33	33A	33B	38 28+33
Trade creditors	29	34	34A	34B	39 29+34
Non trade book creditors (including accruals, deferred income & provisions)	30	35	35A	35B	40 30+35
Subordinated loans					41
Total liabilities					42 sum(38.41) + 27
Net assets					43 26-42

Capital Corporate			
Approved share capital			65
Non-approved share capital			66
Share premium account			67
Approved reserves			68
Non-approved reserves			69
Profit/(loss)	Audited	Unaudited	
Previous years	49	50	70 (40+50+53+54)
Current year	53	54	
Partnership/Sole trader			
Capital account			71
Current account	Audited	Unaudited	
Previous years	57	58	72 (57+58+61+62)
Current year	61	62	
Total capital			73 sum(65-72)

PROFIT & LOSS

	Items not in relevant annual expenditure	Items in relevant annual expenditure	
Revenue			
Dealing profit/(loss)			74
Gross commission and brokerage			75
Investment management fees			76A
Corporate Finance			76B
Interest and dividends receivable			77
Other revenue			78
Total revenue for the period			79 sum(74.78)
Commission and brokerage	80	85	
Establishment costs		86	
Staff costs	81	87	
Bad and doubtful debts		88	
Intercompany charges		89	
Interest payable	82	90	
Foreign exchange losses		91	
Exceptional and other expenses	84	92	
Profit/(loss) before tax			93 79-sum(80.92)

Tax reclaimed/(provided)	94	
Add/(less) reserves	95	
less Dividend payable	96	
Retained profit/(loss) for the period	97	sum(93.95)-96

TANGIBLE NET WORTH				
Capital			101 73-66-69	115 101-102
Less: intangible assets			102	
State percentatge if tangible net worth falls by > 10% since the last reporting date (IPRU(INV) 3-32R(2))			103	
ELIGLIBLE CAPITAL SUBSTITUTES			Allowable	
Approved subordinated loans			104	
Approved bank bonds			105	
Approved undertakings			106	116 sum(104.106)
FINANCIAL RESOURCES				117 115+116
PRIMARY REQUIREMENT				
Base requirement			109	
	Balance sheet value Non-trade debtors	Prepayment		
Liquidity adjustment	107	108	110	
Charged assets			111	
Contingent liabilities			112	
Deficiencies in subsidiaries			113	118 sum(109.113)

POSITION RISK REQUIREMENT	Long	Short	Requirement	
Foreign currency			149 501	
Physical commodities	128	138	151	
Other	128A	138A	151A	152 149 + 151 +128C

COUNTERPARTY RISK REQUIREMENT					
Securities and physical	**Assets**	**Liabilities**		**Requirement**	
Balance sheet	160	164			
Off balance sheet	170	174	Cash against documents and free deliveries	186	
Margined transactions and options					
Balance sheet	161	165	Exchange traded margined transactions	187	
Off balance sheet	171	175	Concentrated risk	188	
OTC					
Balance sheet	162	166	Options purchased	189	
Off balance sheet	172	176	Swaps, forward contracts and OTC derivatives	190	
Other					
Balance sheet	163	167	Qualifying and other deposits	191	
Off balance sheet	173	177	Other receivables	192	195 sum(186.192)
Sub-totals					
Balance sheet	180 sum(160.163)	182 sum(164.167)			
Off balance sheet	181 sum(170.173)	183 sum(174.177)			

FINANCIAL RESOURCES REQUIREMENT		196 118+152+195
EXCESS/DEFICIENCY IN FINANCIAL RESOURCES	117/196% %	197 117-196

Currency Code		Balance Sheet Debits/Credits	Forward Contracts	Futures Contracts	Options Contracts	Other	Net for Currency
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
	Long						
	Less: short						
Total net long positions							
Less: Total net short positions							
8% of total long positions = Requirement							501

CREDIT EXPOSURE

Intra Group Exposures
10 largest intra group exposures

Name of Company		Gross Exposure	Net Exposure (if netting agreement in place)
200A		200B	200C
201A		201B	201C
202A		202B	202C
203A		203B	203C
204A		204B	204C
205A		205B	205C
206A		206B	206C
207A		207B	207C
208A		208B	208C
209A		209B	209C

Non group Exposures
10 largest gross exposures

Name of Company		Gross Exposure	Net Exposure (if netting agreement in place)
210A		210B	210C
211A		211B	211C
212A		212B	212C
213A		213B	213C
214A		214B	214C
215A		215B	215C
216A		216B	216C
217A		217B	217C
218A		218B	218C
219A		219B	219C

10 largest net exposures (only where there is a netting agreement in place) if not included above

Name of Company		Net Exposure
220A		220B
221A		221B
222A		222B
223A		223B
224A		224B
225A		225B
226A		226B
227A		227B
228A		228B
229A		229B

Reconciliations	Date of last reconciliation
Crest	
LCH	
Euroclear	
Cedel	
Safe custody nominees	
Other depots	
Intermediate brokers - UK	
Intermediate brokers - Overseas	
Clients' money bank accounts - UK	
Clients' money bank accounts - Overseas	
Collateral	

Part 30 report

This schedule applies only to a firm subject to CFTC part 30 exemption order in respect of open positions for LME transactions of US customers.

Client Money And Other Assets (COB 9.3.141 – COB 9.3.144)

	Number	Value	
Omnibus letter of credit			
(a) Balance per previous reporting date		664	
(b) Addition		665	
(c) Termination/cancellation		666	667 664+665-666 a + b - c
Secured amount			
(a) Deficit open trade equity on LME		668	
(b) House losses at LCH		669	
(c) Deficit open trade equity of non LME customers at LCH		670	
(d) LME forward profit		671	672 Lower of d or Total (a to c)
Excess/(deficiency)			673 667-672

Number of occasions when the omnibus letter of credit was deficient	
Total excess/(deficiency) for individual letter of credit	

	secured amount	value of letter of credit	excess/(deficiency)	date rectified	
(a)			674		
(b)			675		
(c)			676		
(d)			677		
(e)			678		679 SUM(674..678)

Number of occasions when any one individual letter of credit was deficient	

“FLOATING WINDOW”

Financial Resources	415 117	
Primary Requirement	416 118	
Position Risk Requirement	417 152	
Counterparty Risk Requirement	418	195
Excess (Deficit) 415-sum(416.418)	419	
Percentage 415/sum(416.418)	420	

LARGE EXPOSURES MONITORING (LEM 1) QUARTERLY RETURN **Standard Reporting Statement for securities and futures firms (ISD firms)**

Firm Code	Statement Date	Solo or Consolidated	Date Submitted

Legal Entity		Own Funds @ the Reporting Date		Reporting Currency	
Date ACMP Granted (if applicable)		Financial Resources @ the Reporting Date			

DECLARATION

(a) This return has been drawn up in accordance with the rules in IPRU(INV) 10 and guidance in SUP 16 Ann 11G relating to Large Exposures Monitoring.

(b) The firm's accounting records systems and controls are maintained in accordance with IPRU(INV) 10 and SYSC 3.2.20R.

(c) We are not aware of any matters which could have a material effect upon the financial position of the firm before the due date of the next statement, which are not declared herein, or have not been notified to, and acknowledged by, the FSA.

(d) Since the date of the last reporting statement, the firm has been in compliance with IPRU(INV) 10 except as already notified to the FSA.

(e) Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.11R requires an authorised person to submit reports containing all the information required. APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. If there is any doubt about the relevance of information, it should be included.
We confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that we have read the Guidance Notes to this form.

All figures should be in £000, unless the firm prepares its UK statutory accounts in another currency(see SUP 16 Ann 10R). All conversions of foreign currency should be at the mid market rate, or the bid/offer spread for exposure included in trading book.

ıature ____________ Print Name ____________ Position ____________ Date ________

ıature ____________ Print Name ____________ Position ____________ Date ________

Form LEM 1

Largest Exposures to all Counterparties

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date			Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
				R	S	T			
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

LARGE EXPOSURES MONITORING (LEM 2) QUARTERLY RETURN **Standard Reporting Statement for securities and futures firms (ISD firms)**

Firm Code	Statement Date	Solo or Consolidated	Date Submitted

Legal Entity		Own Funds @ the Reporting Date		Reporting Currency	
Date ACMP Granted (if applicable)		Financial Resources @ the Reporting Date			

DECLARATION

(a) This return has been drawn up in accordance with the rules in IPRU(INV) 10 and guidance in SUP 16 Ann 11G relating to Large Exposures Monitoring.

(b) The firm's accounting records, systems and controls are maintained in accordance with IPRU(INV) 10 and SYSC 3.2.20R.

(c) We are not aware of any matters which could have a material effect upon the financial position of the firm before the due date of the next statement, which are not declared herein, or have not been notified to, and acknowledged by, the FSA.

(d) Since the date of the last reporting statement, the firm has been in compliance with IPRU(INV) 10 except as already notified to the FSA.

(e) Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FSA and to notify the FSA immediately if materially inaccurate information has been provided. SUP 16.3.11R requires an authorised person to submit reports containing all the information required. APER 4.4.6E provides that, where an approved person is responsible for reporting matters to the FSA, failure to inform the FSA of materially significant information of which he is aware is a breach of Statement of Principle 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FSA. It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body. If there is any doubt about the relevance of information, it should be included.
We confirm that the information in this form is accurate and complete to the best of my knowledge and belief and that we have read the Guidance Notes to this form.

(f) All figures should be in £000, unless the firm prepares its UK statutory accounts in another currency (see SUP 16 Ann 10R). All conversions of foreign currency should be at the mid market rate, or the bid/offer spread for exposure included in trading book.

Signature ____________________ Print Name ____________________ Position ____________________ Date __________

Signature ____________________ Print Name ____________________ Position ____________________ Date __________

Please list all material holdings in Credit and Financial Institutions, per IPRU(INV) 10-61R(7) on the form provided.

Name of Counterparty	Exposure

These exposures listed above should not be included within Parts 3(i) and 3(ii) of Form LEM 2, having been fully deducted from capital when calculating own funds.

Form LEM 2, Part 1

Largest Exposures to Individual Corporates and Corporate Groups

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date R	S	T	Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Form LEM 2, Part 2

Largest Exposures to Individual Group Members of Counterparties Connected to the Firm

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date R	S	T	Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Form LEM 2, Part 3 (i)

Largest Exposures to Unconnected Credit Institutions/Investment Firm/Third Country Investment Firms/Recognised Clearing Houses and Recognised Exchanges

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date R	S	T	Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Form LEM 2, Part 3 (ii)

Largest Exposures to Unconnected Credit Institutions/Investment Firm/Third Country Investment Firms/ Clearing Houses and Exchanges with a remaining maturity of over 1 year – derivatives exposure to be inserted as a memorandum below the large exposures

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date R	S	T	Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Form LEM 2, Part 4

Largest Exposures to Zone B governments

Counterparty/ Group	Netting of Exposure	Specific Bad Debt Provision	Acceptable/ Adequate Collateral Against Actual Exposure	Actual Exposure at the Reporting Date			Highest Exposure During the Reporting Period	% of Financial Resources	Amount of Exposure Guaranteed by Parent/Third Party
				R	S	T			
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Section 6: Securities and futures firms: Form and content of reports

1 Table Financial reporting statements (see Table 1 for list of reports defined as such)

		(See *SUP* 16.7.31R)
1.1.1	(1)	A *firm* must prepare the financial reporting statements from, and ensure that they are in agreement with, the books and records of the *firm*.
	(2)	A *firm* must prepare the financial reporting statements so as to give a true and fair view in accordance with *UK* Companies Acts of the results for the period, the financial position and state of affairs of the *firm*.
	(3)	A *firm* may not offset amounts on the balance sheet and profit and loss account in its financial reporting statements in respect of items representing assets or income against amounts in respect of items representing liabilities or expenditure except in the case of balances with *counterparties* where the parties to the transaction have expressly agreed that they shall be settled on a net basis for the same value date.
	(4)	A *firm* must not consolidate the accounts of a separately incorporated *body corporate* within the *group* into figures of a *firm's* financial reporting statements other than for the purposes of completing the consolidated reporting statement, but must include the assets, liabilities, income and expenditure of all *branches* of the *firm*.
	(5)	A *firm* must show as a separately identified item appended to a financial reporting statement any item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items on the required format of the statement.
	(6)	A *firm*: (a) must use either sterling or the currency used for its *UK* statutory accounts as its reporting currency in its financial reporting statements; (b) may not change its reporting currency more than once in any 12 month period; and (c) must notify the *FSA* immediately of any change to its reporting currency.
	(7)	A *firm* which is a *sole trader* must include in any financial reporting statement only those items which arise in the course of the business of the *firm* as such.

2 Table

Table 1 **Reports defined as financial reporting statements for the purposes of this Annex**
Annual reporting statement
Quarterly reporting statement
Monthly reporting statement
Consolidated reporting statement
Large exposures quarterly reporting statement – solo
Large exposures quarterly reporting – consolidated

3 Table Audited Annual Financial Statements

1.1.2	A *firm's* audited annual financial statements must be drawn up in accordance with Schedule 4 of the Companies Act 1985 as at the *firm's accounting reference date*.

SUP 16 Ann 11G: Guidance notes on completion of securities and futures firms' reporting forms

1. Standard reporting statement for securities and futures firms which are ISD firms

2. Consolidated reporting statement for securities and futures firms

3. Standard reporting statement for securities and futures firms which are not ISD firms

4. Large exposures monitoring quarterly returns

GUIDANCE NOTES:- STANDARD REPORTING STATEMENT FOR SECURITIES AND FUTURES FIRMS WHICH ARE ISD FIRMS

INTRODUCTION

This guidance has been prepared to assist firms in completing the monthly, quarterly and annual reporting statements in accordance with SUP 16.7.25R to SUP 16.7.27R and SUP 16 Ann10R. Guidance given does not override the rules themselves.

A firm must submit its reporting statement to the FSA by the due date in accordance SUP 16.7.25R to SUP 16.7.27R.

Self-generated computer statement

A firm which has obtained a waiver from electronic reporting may file this reporting statement using a self-generated computer form if such a form is identical in its layout to the standard reporting statement. Application for a waiver must be made in accordance with SUP 8.

Declaration

A valid submission of the standard reporting statement must be signed by two authorised signatories, except where the firm is a sole trader. (SUP 16.7.33R)A declaration should not be made lightly. The FSA will take a very serious view of a declaration that subsequently proves to be false or negligent and this may result in disciplinary action.

The FSA must be notified as soon as a firm has reason to believe that the standard reporting statement previously submitted was or has become misleading in any material respect (SUP 15.6.4R).

Categories of firms

Category D firms are required to complete all the sections of the standard reporting statement except the large exposures sections, and submit it on an annual and quarterly basis in accordance with SUP 16.7.27R. Category C firms are required to complete all the sections of the standard reporting statement and submit it on a quarterly basis in accordance with SUP 16.7.27R). Category A and B firms are required to complete all the sections of the standard reporting statement and submit it on an annual and monthly basis in accordance with SUP 16.7.25R.

Some pertinent rules and guidance

IPRU(INV) 10-10R Keeping of records

A firm must be able to demonstrate compliance with the financial resources requirement and should be able to prepare, within a reasonable time, this reporting statement as at the close of business of any date. The audit trail, records, working papers and schedules supporting the production of this reporting statement must be retained for six years, maintained and secured in an orderly manner so as to permit ready access to any particular record required under SUP 2.

IPRU(INV) 10-11R Reconciliation of balances

A firm must perform reconciliations as frequently as is necessary for the volume of transactions on the accounts, and in any event, not less than once a month for derivatives balances and positions, and once a year for securities balances and positions.

Notification

Inclusion or disclosure of an item in the standard reporting statement is not a substitute for notification required by IPRU(INV) 10-32R and SUP15. A firm must confirm in writing any verbal notification effected under these rules. A firm must be familiar with all the notification requirements, and the following are worthy of further mention:

SUP 15.6.4R Misleading information supplied to the FSA_.

SUP 16.3.17R Changes in reporting dates.

SUP 3.7.2G Qualification of an audit report.

IPRU(INV) 10-32R(2) Defaults on repurchase type transactions and large exposure notifications.

SUP 16 Ann 10R Agreement with records

The reporting statement must agree with the books and records of the *firm*, and give a true and fair view of the result for the period and the financial position and state of affairs of the *firm*.

SUP 16 Ann 10R Offsetting and netting

Items representing assets or income must not be offset against items representing liabilities or expenditure except in the case of counterparties who have expressly agreed to settle on a net basis for the same value date.

SUP 16 Ann 10R Consolidation

A firm must not consolidate the accounts of separately incorporated group companies other than for the purposes of completing the consolidated reporting statement, but must include the assets, liabilities, income and expenditure of all branches of the firm.

SUP 16 Ann 10R Greater detail

A firm may show any item required in this reporting statement in greater detail than required by the appropriate format.

SUP 16 Ann 10R Reporting currency

A firm must use either sterling or the currency used for its UK statutory accounts as its reporting currency in its financial reporting statements. It may not change its reporting currency more than once in any 12 month period.

SUP 16 Ann10R Accounting policies

The accounting policies which are required to be used for the reporting statements are not necessarily the same as the accounting policies used in the audited annual financial statements (ie statutory accounts). A firm must give particulars of any departure from the requirements in SUP 16 Ann10R 10-41R. A firm must use the correct accounting policy for each case.

Reporting unit

Monetary amounts must be shown in thousands. Small rounding errors may occur and firms have a responsibility to ensure that these are kept to a minimum so that each item reported is as accurate as possible, within the overriding constraint that a reporting statement must cast correctly and balance within itself.

Certain amounts on the reporting statements are not monetary and should not be submitted in thousands.

Sign convention and totals

All items entered on this statement should normally be shown as a positive value. Where an item is required to be deducted, this will normally be indicated by the use of the word "Less" and should be entered as a positive figure. However, certain items may be either positive or negative values (e.g."Dealing profit/(loss)" on the Profit and Loss schedule). In this case, positive values will be added and negative values deducted from any previous item. Negative values on electronically reported statements should be indicated by the use of brackets around the figure eg £(5000) or preceded by a negative sign eg -£5000. Negative values on statements submitted on paper should be indicated by the use of brackets around the figure.

A box in the extreme right hand column is, unless otherwise indicated, the total of the boxes in the column immediately to its left.

Any departure from the methodology set out in this section will be clearly indicated on the form. It will be assumed that where an item on the statement is left blank, this is the same as entering a zero value.

Segregation

All client money (including free money) must be reported on-balance sheet for the purposes of the financial reporting statements.

BALANCE SHEET

A. FIXED ASSETS

1. Fixed assets is the net book value of all assets used by the firm in its activities on a continuing basis.

2. **Intangible Assets**

Intangible assets includes goodwill, capitalised development costs, patents, licences, exchange seats (such as seats on LIFFE), trademarks and similar rights. Exchange seats held for investment purposes may be treated as a fixed asset investment.

B. CURRENT ASSETS

3. **Stock and Investments**

This shall include positions valued on a prudent and consistent basis in accordance with IPRU(INV) 10-41R(9). Firms must ensure that investments arising from trading and non trading books are disclosed separately.

4. **Trading Book Debtors**

Amounts due from counterparties must be reflected at gross amounts less any provisions for bad and doubtful debts. Netting is only permitted to the extent that there is express agreement with the counterparty that balances may be settled on a net basis in accordance with SUP 16 Ann 10R 1.(3) and_IPRU(INV) 10-170R(10). Firms must ensure that trading book debtors under and over 90 days, and debts with affiliates and non-affiliates are disclosed separately.

5. **Non Trading Book Debtors**

These include debtors not arising from trading book activities. Examples of these are corporate finance fees, commissions, interest and dividends not directly related to items in the trading book. Firms must ensure that non trading book debtors under and over 90 days and debts with affiliates and non-affiliates are disclosed separately.

6. **Loans and other assets**

Loans and other assets must also be split between affiliates and non-affiliates and those due within and after 90 days.

7. Cash at Bank and in Hand

Segregated client moneys on the balance sheet must be disclosed separately from other non segregated funds. Non segregated funds must be divided into qualifying and non qualifying deposits in accordance with the definition in IPRU(INV) 10 App 1.

C. CURRENT LIABILITIES

8. Bank Loans and Overdrafts

Comments on the inclusion of segregated deficits on the balance sheet made in Section 7 above are applicable here. Firms must ensure that bank loans and overdrafts under and over 1 year, and from affiliates and non-affiliates are disclosed separately.

9. Trading Book Creditors

The comments under Trading Book Debtors in Section 4 above are applicable as appropriate. Firms must ensure that trading book creditors under and over 1 year are disclosed separately and balances with affiliates are distinguished from balances with non-affiliates.

10. Non Trading Book Creditors

These include all other creditors not arising from trading book activities and also include amounts representing accruals, deferred income and provisions.

11. Subordinated Loans

Firms must classify and disclose subordinated loans firstly between short term and long term loans in accordance with IPRU(INV) 10-63R and secondly as amounts with residual maturity of under and over 1 year.

D. CAPITAL

12. Share Capital

Cumulative and non cumulative preference shares for fixed and non fixed terms must be disclosed separately. Preference share capital can only be included in financial resources, provided that there is an agreement in place, that redemption may not take place if it would take the firm into a deficit of financial resources.

Preference share capital may only be included in initial capital where the dividends are non-cumulative.

13. **Profit and Loss**

Incorporated firms must ensure that for both prior year brought forward and current year profit and loss, amounts representing externally audited balances and unaudited trading and non trading book balances are identified and disclosed separately in accordance with IPRU(INV) 10-61R(4). Interim profits may only be included in a firm's initial capital where they have been verified by an external auditor in accordance with IPRU(INV) 10 App 58.

14. **Partnership/Sole trader current account**

Unincorporated firms must ensure that for both prior year brought forward and current year current account, amounts representing externally audited balances and unaudited trading and non trading book balances are identified and disclosed separately in accordance with IPRU(INV) 10-61R(4). Interim current account may only be included in a firm's initial capital where they have been verified by an external auditor in accordance with IPRU(INV) 10 App 58.

15. **Total Capital**

Total Capital should agree with Net Assets in Box 44.

PROFIT AND LOSS ACCOUNT

E. REVENUE

16. **Dealing profit/(loss)**

This shall be the total gross profit less loss which arises from market making and other dealings as principal for the period which the statement covers. Stamp duty, exchange fees, commissions and brokerage and any related interest paid or payable may be deducted. This box will drill down to 6 boxes for member firms to split out their 5 largest income centres/trading desks plus a balancing figure, which will total to the total dealing profit or loss. Firms should contact their teams if they are in any doubt as to how to complete these fields.

17. **Gross commission and brokerage**

This shall be the total commission and brokerage earned by the firm in the conduct of agency broking, before the deduction of commissions shared or paid to third parties. Commissions receivable on underwriting of international and domestic offerings are included in 18 below.

18. **Investment management fees**

This shall be the total of underwriting fees and commissions, fees from investment advice, valuations, management of investments and unit trusts, pension funds, discretionary management and collective investment schemes.

19. **Corporate Finance Fees**

This shall be the total of all income earned by the firm from corporate finance business.

20. **Other Revenue**

This shall be the total of all other revenue of the firm, including all interest and dividends receivable (except for that arising out of dealing as principal, which is included in a) above).

F. EXPENDITURE

21. This section should show the expenditure for the period reported on under each of the headings specified below. Expenditure should be split between those items included in relevant annual expenditure and those excluded under IPRU(INV) 10-73R (see G below).

22. **Commission and brokerage**

This shall be the total of commissions paid away and shared, plus fees, brokerage and other charges paid in relation to the execution, registration or clearing of transactions.

23. **Establishment costs**

This shall include marketing, communications, office services costs, rent, rates, heating, electricity, maintenance, depreciation, professional fees and other general overheads of the business.

24. **Staff Costs**

This shall be the aggregate of gross salary costs, including National Insurance contributions, pensions contributions, benefits in kind and bonuses or profit shares.

25. **Bad and Doubtful Debts**

This shall be the charge to the profit and loss account which the firm considers to be an adequate provision for all doubtful debts, even where there is no addition to CRR or deduction from financial resources.

26. **Intercompany charges**

This shall be charges made by affiliated companies whether for the recharge of costs incurred by the affiliate on behalf of the firm, or for management fees.

27. **Interest payable**

This shall be the total of any interest payable on borrowings of the firm and interest payable on client bank accounts.

28. **Foreign exchange losses**

This shall be the total of foreign exchange losses.

29. **Exceptional and other expenses**

Exceptional expenses shall be those arising from events within the ordinary course of business which are not expected to recur frequently or regularly.

G. ITEMS NOT INCLUDED IN RELEVANT ANNUAL EXPENDITURE

30. **Commission and brokerage**

A firm may exclude commission shared with third parties other than employees, directors, half commission men or appointed representatives. Fees, brokerage and other charges paid for the purposes of executing, registering or clearing transactions may also be excluded.

31. **Staff costs**

A firm may exclude bonuses or profit sharing where they are discretionary and paid out of current year profits.

32. **Interest payable**

A firm may exclude interest which is payable to counterparties or which relates to borrowings which finance the firm's regulated activities.

33. **Foreign Exchange Losses**

A firm may exclude losses arising from the translation of foreign currency balances.

34. Exceptional items

A firm may exclude exceptional items as defined in IPRU(INV) 10 App 1.

FINANCIAL RESOURCES

H. INITIAL CAPITAL

35. Initial capital includes ordinary share capital plus non cumulative preference shares, reserves other than revaluation reserves, share premium account and externally audited retained earnings. Interim profits can be included only if they have been verified by the firm's auditor and are net of any foreseeable charges or losses.

I. ORIGINAL OWN FUNDS

36. From initial capital any investments in own shares, intangible assets and any material current year losses (those arising from trading and non trading book, which exceed 10% of initial capital), must be deducted to arrive at original own funds.

J. SUBORDINATED LOANS

37. There are certain limits on subordinated loans and other items which may be taken into financial resources. The limits prescribed are -

a) for firms which calculate their financial resources in accordance with Table IPRU(INV) 10-62R(2)A, 200% of original own funds after the liquidity adjustment, charged assets, contingent liabilities and deficiencies in subsidiaries have been covered. A firm may use items listed in "D" in the table ie cumulative preference shares, long term subordinated loans and revaluation reserves, to cover the above adjustments, before using original own funds.

b) for firms which calculate their financial resources in accordance with Table IPRU(INV) 10-62R(2)B, 250% of original own funds after the liquidity adjustment, charged assets, contingent liabilities and deficiencies in subsidiaries, and material holdings in credit and financial institutions, which would normally fall within the firm's group for consolidated supervision purposes, have been adjusted for. A firm may use items listed in "E" in the table, ie cumulative preference shares, long term subordinated loans and revaluation reserves, to cover the above adjustments, before using original own funds.

38. In addition, the total of fixed term long term subordinated loan and fixed term cumulative preference shares which may be taken into financial resources

can not exceed 50% of original own funds; and the total of all long term subordinated loan, cumulative preference shares and revaluation reserves must not exceed 100% of original own funds.

K. LIQUIDITY ADJUSTMENT

39. The liquidity adjustment must be calculated in accordance with IPRU(INV) 10-64R to IPRU(INV) 10-66R and must be deducted in order to arrive at the financial resources.

L. MATERIAL HOLDINGS IN CREDIT AND FINANCIAL INSTITUTIONS

40. A firm must deduct the full value of its material holdings in credit or financial institutions (as defined in the rules) in arriving at financial resources, unless a firm has been granted a waiver from consolidated supervision. In that case, it must deduct in full those material holdings in credit or financial institutions which would normally have been included in the scope of consolidation, and deduct in full as an illiquid asset, those which would not normally be included in the scope of consolidation, unless these are trading book positions on which the firm calculates a PRR.

M. POSITION RISK REQUIREMENT

41. A firm which carries a house position must calculate a position risk requirement. The methods and position risk weightings (known as PRAs) to be used can be found in IPRU(INV) 10-80R to IPRU(INV) 10-133R, and IPRU(INV) 10-166R to IPRU(INV) 10-169R contain summary tables giving the methodology and PRAs can be found in IPRU(INV) 10 App 49 – IPRU(INV) 10 App 54.

42. **Equity method**

The valuation of equity and equity equivalent positions included in the equity methods should be included in boxes 301 to 307 and the PRRs for each method included in boxes 309 to 312. The equivalent values of each product type included in the equity method should then be analysed in the second section, boxes 314 to 330. The net balance sheet market value of the instruments should be included in the third column, boxes 332 to 339. The total balance sheet equity positions and PRR on equities will feed forward to the position risk statement.

43. **Equity derivative method**

Equity derivative positions not included in the equity method must be included in the next section of the form, split between the hedging, margin and basic methods. The balance sheet value of the derivative positions should be included in boxes 341 to 343A. The net balance sheet value of cash positions included in the hedging method should be inserted in box 345A. Balance sheet values of positions in approved risk assessment models, including cash positions should be included in boxes 351 to 353.

44. **Interest rate method**

The valuation of debt and debt equivalent positions included in the interest rate methods should be included in boxes 360 to 366 and the general market risk PRRs for each method included in boxes 368 to 370. The interest rate add-on for equity derivatives under the basic method IPRU(INV) 10-86R(4) should be included in box 371. Where the add-on is calculated under the alternative method by inclusion in the interest rate ladder, the charges will automatically go into the interest rate method. The interest rate specific risk charges should be split into the various categories in boxes 375 to 379, the total will feed into box 380. The equivalent values of each product type included in the interest rate method should then be analysed in the second section, boxes 400 to 420. The net balance sheet value of the instruments should be included in the third column, boxes 422 to 431. The total balance sheet interest rate positions and PRR thereon will feed forward to boxes 458 and 463.

45. **Interest rate derivative method**

Interest rate derivative positions not included in the interest rate method must be included in the next section of the form, split between the hedging, margin and basic methods. The balance sheet value of the derivative positions should be included in boxes 433 to 436. The net balance sheet value of cash positions included in the hedging method should be inserted in box 438. Values of positions in approved risk assessment models, including cash positions should be included in boxes 450 to 453.

46. **Other methods**

The net balance sheet value of positions included in the issuing market method, commodities positions and the PRR thereon should be included in the next section. Any other positions should be included in box 457 so that the position risk statement includes all trading book positions and the total PRR.

N. FOREIGN EXCHANGE REQUIREMENT

47. This section of the standard reporting statement captures the firm's foreign exchange requirement calculated in accordance with IPRU(INV) 10-150R to IPRU(INV) 10-153R. Box 242 will drill down into a screen detailing foreign exchange exposures and the resulting FER. The long and short positions in all the currencies must net to zero.

O. COUNTERPARTY RISK REQUIREMENT

48. This section is split into debtors and creditors arising on the trading book. The headings for assets and liabilities are designed to reflect the balance sheet values of transactions analysed by type.

49. **Cash Against Documents**

Where a firm expects to receive cash against the unsettled securities transactions (such as shares, gilts, bonds, etc.), it should enter the total value of all such amounts at their balance sheet value in the column headed "assets". Where a firm has a liability to pay cash in respect of unsettled securities transactions, it should enter the total value of all such liabilities at their balance sheet value in the column headed "liabilities". In the column headed "CRR", a firm should enter its total CRR in respect of unsettled securities transactions.

50. **Free Deliveries**

Where a firm has made a free delivery of either commodities or securities, it should enter the balance sheet value of the related amounts receivable in the column headed "assets". Where a firm has made a free delivery of cash in respect of the anticipated receipt of securities or commodities, it should not enter the balance sheet value of such payments in the section headed "liabilities", since this is no longer a creditor. In the column headed "CRR", a firm should enter its total CRR in respect of free deliveries.

51. Repos, Reverse Repos, Securities Borrowing and Lending, Sale and Buy Back and Buy and Sell Back Agreements etc.

Whilst these types of transactions all have their separate characteristics, , the FS*A*_ treats them in the same way for CRR purposes under _IPRU(INV) 10-173R and for accounting purposes under IPRU(INV) 10-41R(7). The value of collateral provided to counterparties to cover reverse repurchase, securities borrowing and buy and sale backs, where this is shown on the firm's balance sheet, should be reported in the column headed "assets". The value of collateral received from counterparties to cover repurchase, securities lending and sale and buy back agreements, where this is shown on the firm's balance sheet, should be reported in the column headed "liabilities". In the column headed "CRR", a firm should report its total CRR calculated in accordance with _IPRU(INV) 10-173R.

52. **Derivatives Transactions**

In the column headed "assets", a firm should report the value of all amounts due from counterparties, clearing banks and exchanges arising on derivatives, where these are shown on the firm's balance sheet. In the column headed "liabilities", a firm should report the value of all amounts due to counterparties, clearing houses and exchanges arising on derivatives, where these are shown on the firm's balance sheet. In the column headed "CRR", a firm should report its CRR calculated in accordance with _IPRU(INV) 10-174R.

53. **Deposits and other amounts due arising from trading book activities**

A firm should report the remaining balance sheet debtors and creditors in its trading book (typically, these items would include commissions owed to the firm in respect of its trading book business or trading book qualifying deposits) not covered in 1-4 above as assets or liabilities, as appropriate, and enter the CRR arising from these activities in the column headed "CRR".

P. CREDIT EXPOSURES

54. The Credit Exposure form should be filled in by all firms regardless of whether they are subject to a large exposures requirement. It is designed to pick up all third party credit exposures ignoring the exemptions which would apply for the large exposures calculation. The form is designed to pick up the total exposure to a counterparty, ie trading book as well as non-trading book, including all transaction exposures between trading date and settlement date. Boxes 200 to 209C should be completed for intra group exposures, listing for each of the 10 group counterparties with the largest credit exposures, the gross exposure to the counterparty, and, if there is a netting agreement in place the net exposure to the counterparty. Boxes 210 to 219C should be completed giving the same information for the 10 non group counterparties with the largest credit exposures. Boxes 220 to 229B should include the 10 largest net credit exposures, where there is a netting agreement in place, which have not been reported in the two previous sections.

Q. LARGE EXPOSURE REQUIREMENT

55. In addition to any notifications of large exposures required by the rules, firms should provide details of the 10 greatest large exposures, analysed between trading and non-trading book in this section. The large exposures requirement for each exposure should be entered in the third column. The line detailed "others" should include the total of all other exposures giving rise to an LER where a firm has more than 10 such large exposures.

R. **REPORTING REQUIREMENTS FOR FIRMS PERMITTED TO USE INTERNAL MODELS FOR CALCULATING REGULATORY CAPITAL**

56. Firms' reporting requirements consist of two strands:

1. model derived capital requirements; and

2. back-testing exceptions.

These guidance notes address each of these in turn.

57. Model derived regulatory capital requirements

There are specific requirements for those firms which are permitted by the FSA to calculate some or all of their regulatory capital requirements using their internal risk assessment models in accordance with IPRU(INV) 10. This permission will be granted in the form of a waiver or modification of the relevant rules. As stated in SUP 8.3.6G, the FSA may impose conditions on a waiver, such as additional reporting requirements. The reporting requirements set out below are a condition for the granting of the relevant waiver(s) in this case. The proforma overleaf sets out the information which the FSA requires from firms in this regard. Firms should submit this information with the same frequency as they currently submit their regular financial reporting statements - the paper report will be regarded as forming a part of a firm's standard reporting statement. Frequency and timing of reporting should be in accordance with SUP 16.7.25R to SUP 16.7.27R.

58. Backtesting exceptions

Further guidance on the review process for internal models can be obtained from the FSA. Notifications of exceptions to the FSA and adjustments to capital requirements should be made in accordance with the timing of the following schedule:

t=-1: firm makes t=0 VaR prediction based upon its positions at close of business t=-1.

t=0: firm incurs profit or loss.

t=+1: firm calculates daily P&L for t=0 and compares to VaR prediction in accordance with the CAD backtesting requirements.

t=+2: firm should notify the FSA of an exception by close of business. All exceptions should be reported.

t=+3: firm should reflect increased capital requirement (if appropriate) in accordance the CAD backtesting requirements.

Firms should additionally be mindful of the following:

(a) An exception is considered to have occurred where the daily loss experienced by a firm exceeds its VaR prediction. For these purposes, the VaR prediction should be compared to daily 'cleaned actual P&L' at the whole-book level (or other level as appropriate to the scope of the model). 2. Firms should report all exceptions in accordance with the schedule above. This may be done by telephone to the firm's usual supervisory contact. An exception will automatically lead to the adjustment of a firm's capital on t=3 (if required in accordance with the CAD criteria) unless a firm has agreed with the FSA that the exception may be 'disregarded'. The FSA's agreement to 'disregard' an exception may additionally be granted retrospectively. A firm seeking to have an exception 'disregarded' should submit to the FSA a written explanation of why the exception occurred, and why it would be appropriate to ‘disregard’ it.

(b) All firms should submit to the FSA a written report of exceptions, with details of the amount of each exception, explanations for why each exception occurred and consequent action taken-on a monthly basis.(Category A and B firms and Broadscope firms should submit this in conjunction with their standard reporting statement. Category C and D firms and Arrangers should submit exception reports in accordance with the timing of the standard monthly reporting cycle.) There is no prescribed format for the reporting of exceptions.

59. Calculation of Regulatory Capital based on Firm’s Internal Assessment of Value-at Risk

Firm Code:

Currency:

Statement date:

Date Submitted:

	Previous Day’s VaR	60 Day Average VaR
Modelled Market Risk and FX Risk		
Specific Risk Surcharge		
Overall VaR		
Multiplication factor		
Reg. Cap. requirement		

*Number of instances in reporting period when previous day’s VaR exceeded 60 day average VaR x multiplication factor.

Explanation of significant changes from previous report date

Notes: Value of positions should be shown in boxes 351-4 (equity). 450-462 (int.rate), and 456 (commodities) of the standard reporting statement for ISD firms.

* Where firms have reported instances, a supplementary written explanation of the causes should be submitted.

GUIDANCE NOTES:- CONSOLIDATED REPORTING STATEMENT FOR SECURITIES AND FUTURES FIRMS WHICH ARE ISD FIRMS

INTRODUCTION

This guidance has been prepared to assist firms in completing the consolidated reporting statements in accordance with SUP16.7.25R and SUP16.7.27R. Guidance given does not override the rules themselves.

A firm must submit its reporting statement to the FSA by the due date in accordance with SUP16.7.25R and SUP16.7.27R.

Self-generated computer statement

A firm which has obtained a waiver from electronic reporting may file this reporting statement using a self-generated computer form if such a form is identical in its layout to the standard reporting statement. Application for a waiver must be made in accordance with SUP 8.

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Declaration

A valid submission of the standard reporting statement must be signed by two authorised signatories, except where the firm is a sole trader. An authorised signatory is a director for a body corporate; a registered partner for a partnership; and a proprietor for a sole trader(SUP16.7.33R).

A declaration should not be made lightly. The FSA will take a very serious view of a declaration that subsequently proves to be false or negligent and this may result in disciplinary action.

The FSA must be notified as soon as a firm has reason to believe that the consolidated reporting statement previously submitted was or has become misleading in any material respect (SUP15.6.4R).

Some pertinent rules

IPRU(INV) 10-10R Keeping of records

A firm must be able to demonstrate compliance with the financial resources requirement and should be able to prepare, within a reasonable time, this reporting statement as at the close of business of any date. The audit trail, records, working papers and schedules supporting the production of this reporting statement must be retained for six years, maintained and secured in an orderly manner so as to permit ready access to any particular record required under SUP 2.

Notifications

Inclusion or disclosure of an item in the standard reporting statement is not a substitute for notification required by the notification requirements contained in SUP15.. A firm must confirm in writing any verbal notification effected under these rules. A firm must be familiar with all the notification requirements, and the following are worthy of further mention:

SUP3.7.2G Qualification of an audit report.

SUP 15.6.4R Misleading information supplied to the FSA.

SUP 16.3.17R Changes in reporting dates.

IPRU(INV) 10-32R Large exposure notifications.

Form and content of financial reporting statements and accounting policies

SUP16 Ann10R Agreement with records

The reporting statement must agree with the books and records of the firm and its group.

SUP16 Ann10R Greater detail

A firm may show any item required in this reporting statement in greater detail than required by the appropriate format.

SUP16 Ann10R Reporting currency

A firm must report in sterling unless it completes its UK statutory accounts in another currency. The reporting currency must not be changed without notification to the FSA. Only one reporting currency may be used on all reporting statements.

SUP 16 Ann 10R and IPRU(INV) 10-41 Accounting policies

The accounting policies which are required to be used for the reporting statements are not necessarily the same as the accounting policies used in the audited annual financial statements (ie statutory accounts). A firm must give particulars of any departure from the requirements in SUP16 Ann10R or IPRU(INV) 10-41R. A firm must use the correct accounting policy for each case.

Reporting unit

Monetary amounts must be shown in thousands. Small rounding errors may occur and firms have a responsibility to ensure that these are kept to a minimum so that each item reported is as accurate as possible, within the overriding constraint that a reporting statement must cast correctly and balance within itself.

Certain amounts on the reporting statements are not monetary and should not be submitted in thousands.

Sign convention and totals

All items entered on this statement should normally be shown as a positive value. However, certain items may be either positive or negative values, e.g."Surplus/(deficit)" in column F. In this case, positive values will be added and negative values deducted from any previous item. Negative values on electronically reported statements should be indicated by the use of brackets around the figure e.g.£(5000) or preceded by a negative sign e.g.-£5000. Negative values on statements submitted on paper should be indicated by the use of brackets around the figure.

Any departure from the methodology set out in this section will be clearly indicated on the form. It will be assumed that where an item on the statement is left blank, this is the same as entering a zero value.

CONSOLIDATED FINANCIAL RESOURCES TEST

This form will have an unlimited number of rows, and the required information for each undertaking included in the firm's group for the purposes of consolidated supervision (under IPRU(INV) 10-200R to 10-203R) should be reported on a separate row.

Column C represents the book value of the investment in a firm's financial resources which its parent has made.

Box J should include the ultimate parent/holding company's financial resources requirement, excluding any large exposure requirement which that individual undertaking has suffered. The group's large exposure requirement should instead be included in Box J.

GUIDANCE NOTES: STANDARD REPORTING STATEMENT FOR SECURITIES AND FUTURES FIRMS WHICH ARE NOT ISD FIRMS

INTRODUCTION

This guidance has been prepared to assist firms in completing the monthly, quarterly and annual reporting statements in accordance with SUP 16.7.25R – SUP 16.7.27R. Guidance given does not override the rules themselves.

A firm must submit its reporting statement to the FSA by the due date in accordance with SUP 16.7.25R – SUP 16.7.27R.

Self-generated computer statement

A firm which has obtained a waiver from electronic reporting may file this reporting statement using a self-generated computer form if such a form is identical in its layout to the standard reporting statement. Application for a waiver must be made in accordance with SUP 8.

Declaration

A valid submission of the standard reporting statement must be signed by two authorised signatories, except where the firm is a sole trader. (SUP 16.7.33R) A declaration should not be made lightly. The FSA will take a very serious view of a declaration that subsequently proves to be false or negligent and this may result in disciplinary action.

The FSA must be notified as soon as a firm has reason to believe that the standard reporting statement previously submitted was or has become misleading in any material respect SUP 15.6.4R)

Categories of firms

Corporate finance advisory firms and derivative fund managers are only required to complete the balance sheet, profit & loss and the tangible net worth sections of the standard reporting statement and submit it on an annual and quarterly basis in accordance with SUP 16.7.27R. Venture capital firms not handling client money are required to complete the balance sheet, profit & loss, the financial resources and financial resources requirement sections (except for the PRR sections) of the standard reporting statement and submit it on an annual and quarterly basis in accordance with SUP 16.7.27R. Other arrangers are required to complete all the sections of the standard reporting statement and submit it on an annual and quarterly basis in accordance with SUP 16.7.27R. Broadscope firms are required to complete all the sections of the standard reporting statement and submit it on an annual and monthly basis in accordance with SUP 16.7.25R.

Some pertinent rules and guidance

IPRU(INV) 3-10R Keeping of records

A firm must be able to demonstrate compliance with the financial resources requirement and should be able to prepare, within a reasonable time, this reporting statement as at the close of business of any date. The audit trail, records, working papers and schedules supporting the production of this reporting statement must be retained for six years, maintained and secured in an orderly manner so as to permit ready access to any particular record required under SUP 2.

IPRU(INV) **3-11R Reconciliation of balances**

A firm must perform reconciliations as frequently as is necessary for the volume of transactions on the accounts, and in any event, not less than once a month for derivatives balances and positions, and once a year for securities balances and positions.

Notifications

Inclusion or disclosure of an item in the standard reporting statement is not a substitute for notification required by SUP 15. A firm must confirm in writing any verbal notification effected under these rules. A firm must be familiar with all the notification requirements, and the following are worthy of further mention:

SUP 15.6.4R Misleading information supplied to the FSA.

SUP 16.3.17R Changes in accounting reference dates.

SUP 3.7.2G Qualification of an audit report.

Form and content of financial reporting statements and accounting policies

SUP 16 Ann 10R Agreement with records

The reporting statement must agree with the books and records of the firm, and give a true and fair view of the result for the period and the financial position and state of affairs of the firm.

SUP 16 Ann 10R Offsetting and netting

Items representing assets or income must not be offset against items representing liabilities or expenditure except in the case of counterparties who have expressly agreed to settle on a net basis for the same value date.

SUP 16 Ann 10R Consolidation

A firm must not consolidate the accounts of separately incorporated group companies other than for the purposes of completing the consolidated reporting statement, but must include the assets, liabilities, income and expenditure of all branches of the firm.

SUP 16 Ann 10R Greater detail

A firm may show any item required in this reporting statement in greater detail than required by the appropriate format.

SUP 16 Ann 10R Reporting currency

A firm must use either sterling or the currency used for its UK statutory accounts as its reporting currency in its financial reporting statements. It may not change its reporting currency more than once in any 12 month period.

SUP 16 Ann 10R Accounting policies

The accounting policies which are required to be used for the reporting statements are not necessarily the same as the accounting policies used in the audited annual financial statements (ie statutory accounts). A firm must give particulars of any departure from the requirements in SUP 16 Ann 10R. A firm must use the correct accounting policy for each case.

Reporting unit

Monetary amounts must be shown in thousands. Small rounding errors may occur and firms have a responsibility to ensure that these are kept to a minimum so that each item reported is as accurate as possible, within the overriding constraint that a reporting statement must cast correctly and balance within itself.

Certain amounts on the reporting statements are not monetary and should not be submitted in thousands.

Sign convention and totals

All items entered on this statement should normally be shown as a positive value. Where an item is required to be deducted, this will normally be indicated by the use of the word "Less" and should be entered as a positive figure. However, certain items may be either positive or negative values (e.g."Dealing profit/(loss)" on the Profit and Loss schedule). In this case, positive values will be added and negative values deducted from any previous item. Negative values on electronically reported statements should be indicated by the use of brackets around the figure eg £(5000) or preceded by a negative sign eg -£5000. Negative values on statements submitted on paper should be indicated by the use of brackets around the figure.

A box in the extreme right hand column is, unless otherwise indicated, the total of the boxes in the column immediately to its left.

Any departure from the methodology set out in this section will be clearly indicated on the form. It will be assumed that where an item on the statement is left blank, this is the same as entering a zero value.

Segregation

All client money (including free money) must be reported on-balance sheet for the purposes of the financial reporting statements.

BALANCE SHEET

A. FIXED ASSETS

1. Fixed assets is the net book value of all assets used by the firm in its activities on a continuing basis.

2. Intangible Assets

Intangible assets includes goodwill, capitalised development costs, patents, licences, exchange seats (such as seats on LIFFE), trademarks and similar rights. Exchange seats held for investment purposes may be treated as a fixed asset investment.

B. CURRENT ASSETS

3. Stock and Investments

This shall include positions valued on a prudent and consistent basis in accordance with IPRU(INV) 3-41R(9).

4. Trade Debtors

Amounts due from counterparties must be reflected at gross amounts less any provisions for bad and doubtful debts. Netting is only permitted to the extent that there is express agreement with the counterparty that balances may be settled on a net basis in accordance with SUP 16 Ann 10R. Firms must ensure that trade debtors under and over 90 days, and debts with affiliates and non-affiliates are disclosed separately.

5. Non Trade Debtors

These include debtors not arising from trading activities. Examples of these are corporate finance fees, commissions, interest and dividends not directly related to the firm's investment or associated business. Firms must ensure that non trade debtors under and over 90 days and debts with affiliates and non-affiliates are disclosed separately.

6. Loans and other assets

Loans and other assets must also be split between affiliates and non-affiliates and those due within and after 90 days.

7. Cash at Bank and in Hand

Segregated client moneys on the balance sheet must be disclosed separately from other non segregated funds. Non segregated funds must be divided into qualifying and non qualifying deposits with the definition in IPRU(INV) 3 App 1.

C. CURRENT LIABILITIES

8. Bank Loans and Overdrafts

Comments on the inclusion of segregated deficits on the balance sheet made in Section 7 above are applicable here. Firms must ensure that bank loans and overdrafts under and over 1 year, and from affiliates and non-affiliates are disclosed separately.

9. Trade Creditors

The comments under Trade Debtors in Section 4 above are applicable as appropriate. Firms must ensure that trade creditors under and over 1 year are disclosed separately and balances with affiliates are distinguished from balances with non-affiliates.

10. Non Trade Creditors

These include all other creditors not arising from trading activities and also include amounts representing accruals, deferred income and provisions.

D. CAPITAL

11. Approved Share Capital

Box 65 includes all ordinary share capital and redeemable share capital satisfying the criteria set out in IPRU(INV) 3-62R for inclusion in tangible net worth.

12. Non-approved Share Capital

Box 66 includes any share capital which may not contribute to the firm's tangible net worth.

13. **Profit and Loss**

Incorporated firms must ensure that for both prior year brought forward and current year profit and loss, amounts representing externally audited balances and unaudited balances are identified and disclosed separately.

14. **Partnership/Sole trader current account**

Unincorporated firms must ensure that for both prior year brought forward and current year current account, amounts representing externally audited balances and unaudited balances are identified and disclosed separately.

15. **Total Capital**

Total Capital should agree with Net Assets in Box 43.

PROFIT AND LOSS ACCOUNT

E. REVENUE

16. **Dealing profit/(loss)**

This shall be the total gross profit less loss which arises from market making and other dealings as principal for the period which the statement covers. Stamp duty, exchange fees, commissions and brokerage and any related interest paid or payable may be deducted.

17. **Gross commission and brokerage**

This shall be the total commission and brokerage earned by the firm, before the deduction of commissions shared or paid to third parties.

18. **Investment management fees**

This shall be the total of underwriting fees and commissions, fees from investment advice, valuations, management of investments and unit trusts, pension funds and collective investment schemes.

19. **Corporate Finance Fees**

This shall be the total of all income earned by the firm from corporate finance business.

20. **Other Revenue**

This shall be the total of all other revenue of the firm, including all interest and dividends receivable (except for that arising out of dealing as principal, which is included in 16 above).

F. EXPENDITURE

21. This section should show the expenditure for the period reported on under each of the headings specified below. Expenditure should be split between those items included in relevant annual expenditure and those excluded under IPRU(INV) 3-73R (see G below).

22. **Commission and brokerage**

This shall be the total of commissions paid away and shared, plus fees, brokerage and other charges paid in relation to the execution, registration or clearing of transactions.

23. **Establishment costs**

This shall include marketing, communications, office services costs, rent, rates, heating, electricity, maintenance, depreciation, professional fees and other general overheads of the business.

24. **Staff Costs**

This shall be the aggregate of gross salary costs, including National Insurance contributions, pensions contributions, benefits in kind and bonuses or profit shares.

25. **Bad and Doubtful Debts**

This shall be the charge to the profit and loss account which the firm considers to be an adequate provision for all doubtful debts, even where there is no addition to CRR or deduction from financial resources.

26. **Intercompany charges**

This shall be charges made by affiliated companies whether for the recharge of costs incurred by the affiliate on behalf of the firm, or for management fees.

27. **Interest payable**

This shall be the total of any interest payable on borrowings of the firm and interest payable on client bank accounts.

28. **Foreign exchange losses**

This shall be the total of foreign exchange losses.

29. **Exceptional and other expenses**

Exceptional expenses shall be those arising from events within the ordinary course of business which are not expected to recur frequently or regularly.

G. ITEMS NOT INCLUDED IN RELEVANT ANNUAL EXPENDITURE

30. **Commission and brokerage**

A firm may exclude commission shared with third parties other than employees, directors, half commission men or appointed representatives. Fees, brokerage and other charges paid for the purposes of executing, registering or clearing transactions may also be excluded.

31. **Staff costs**

A firm may exclude bonuses or profit sharing where they are discretionary and paid out of current year profits.

32. **Interest payable**

A firm may exclude interest which is payable to counterparties or which relates to borrowings which finance the firms regulated activities.

33. **Exceptional and extraordinary items**

A firm may exclude exceptional items and extraordinary items as defined in IPRU(INV) 3 App 1.

FINANCIAL RESOURCES

H. TANGIBLE NET WORTH

34. For an incorporated firm, tangible net worth includes ordinary share capital plus redeemable preference shares, meeting the criteria set out in IPRU(INV) 3-62R, approved reserves as explained in IPRU(INV) 3-62R, share premium account and retained earnings, less any intangible assets.

35. For a partnership or sole trader, tangible net worth includes the capital account plus current account, less any intangible assets.

I. ELIGIBLE CAPITAL SUBSTITUTES

36. There are certain limits on subordinated loans, approved bank bonds and approved undertakings which may be taken into financial resources. The total of boxes 104 to 106 must not exceed four times tangible net worth. The other limits are detailed in IPRU(INV) 3-63R.

J. PRIMARY REQUIREMENT

37. This requirement is set out in IPRU(INV) 3-70R and is the sum of boxes 107 to 113.

38. **Base requirement**

The base requirement is the greater of–

- the absolute minimum requirement which is determined in accordance with IPRU(INV) 3-72R;
- the expenditure requirement which is determined in accordance with IPRU(INV) 3-73R; and
- the volume of business requirement which is 3.5% of the aggregate of the firm's counterparties' total initial margin requirement.

39. **Liquidity adjustment**

The liquidity adjustment must be calculated in accordance with IPRU(INV) 3-75R and must be deducted in order to arrive at the financial resources.

40. **Charged assets**

This is the balance sheet value of each asset charged to a third party (IPRU(INV) 3-76R) unless the related exposure has already been recorded as a liability or is subject to CRR.

41. **Contingent liabilities**

An amount must be added to primary requirement in accordance with IPRU(INV) 3-77R.

42. **Deficiency in subsidiaries**

Unless a provision has already been made (ie a reduction of the firm's financial resources), the amount is equal to the deficiency in shareholders' funds in the subsidiary of the firm (IPRU(INV) 3-78R).

POSITION RISK REQUIREMENT

43. A firm which carries a house position must calculate a position risk requirement. The methods and position risk weightings (known as PRAs) to be used can be found in IPRU(INV) 3-80R to 3-169R and IPRU(INV) 3 App 26.

44. **Foreign exchange requirement**

This section of the standard reporting statement captures the firm's position risk requirement arising from foreign exchange exposures, calculated in accordance with IPRU(INV) 3-150R to IPRU(INV) 3-154R. Box 149 will drill down into a screen detailing foreign exchange exposures and the resulting PRR. The long and short positions in all the currencies must net to zero.

45. **Physical commodities**

Boxes 128 and 138 include the balance sheet value of positions subject to the physical commodities method IPRU(INV) 3-166R to 3-169R. Box 151 should include the PRR calculated under these rules.

46. **Other**

The balance sheet value of positions in interest rate instruments taken on to hedge interest rate risks in the commodities portfolio should be included in boxes 128A and 138A. Box 151A should include the PRR calculated on these positions.

COUNTERPARTY RISK REQUIREMENT

48. This section is split into debtors and creditors arising on the trading book. The headings for assets and liabilities are designed to reflect the balance sheet values of transactions analysed by type.

49. **Cash Against Documents and Free Deliveries**

Where a firm expects to receive cash against unsettled securities transactions, such as gilts, bonds, it should enter the total value of all such amounts at their balance sheet value in the column headed "assets". Where a firm has a liability to pay cash in respect of unsettled securities transactions, it should enter the total value of all such liabilities at their balance sheet value in the column headed "liabilities".

50. Where a firm has made a free delivery of either commodities or securities, it should enter the balance sheet value of the related amounts receivable in the column headed "assets". Where a firm has made a free delivery of cash in respect of the anticipated receipt of securities or commodities, it should not enter the balance sheet value of such payments in the section headed "liabilities", since this is no longer a creditor.

51. In the column headed "requirement", a firm should enter its total CRR in respect of unsettled securities transactions and free deliveries.

52. **Margined Transactions and Options**

In the column headed "assets", a firm should report the value of all amounts due from counterparties, clearing houses and exchanges arising on exchange-traded-margined transactions, where these are shown on the firm's balance sheet. In the column headed "liabilities", a firm should report the value of all amounts due to counterparties, clearing houses and exchanges arising on exchange-traded-margined transactions, where these are shown on the firm's balance sheet. In the column headed "requirement", a firm should report its CRR calculated in accordance with IPRU(INV) 3-173A.

53. **OTC**

In the column headed "assets", a firm should report the value of amounts due from counterparties on OTC transactions, where these are shown on the balance sheet. In the column headed "liabilities", a firm should report the value of all amounts due to counterparties on OTC transactions, where these are shown on the firm's balance sheet. In the column headed "requirement", a firm should report its CRR calculated in accordance with _IPRU(INV) 3-173A.

54. **Other**

A firm should report its remaining balance sheet trade debtors and creditors not covered in 49 to 53 above as assets or liabilities, as appropriate, and enter the CRR arising from these activities in the column headed "requirement".

CREDIT EXPOSURES

55. The credit exposure section is designed to pick up all third party credit exposures. The form is designed to pick up the total exposure to a counterparty,

ie trade debtors and non-trade debtors, including all transaction exposures between trading date and settlement date. Boxes 200 to 209C should be completed for intra group exposures, listing for each of the 10 group counterparties with the largest credit exposures, the gross exposure to the counterparty, and, if there is a netting agreement in place the net exposure to the counterparty. Boxes 210 to 219C should be completed giving the same information for the 10 non group counterparties with the largest credit exposures. Boxes 220 to 229B should include the 10 largest net credit exposures, where there is a netting agreement in place, which have not been reported in the two previous sections.

56. REPORTING REQUIREMENTS FOR FIRMS PERMITTED TO USE INTERNAL MODELS FOR CALCULATING REGULATORY CAPITAL

Firms' reporting requirements consist of two strands:

1. model derived capital requirements; and

2. back-testing exceptions.

These guidance notes address each of these in turn.

57. Model derived regulatory capital requirements

There are specific requirements for those firms which are permitted by the FSA to calculate some or all of their regulatory capital requirements using their internal risk assessment models in accordance with IPRU(INV) 3. This permission will be granted in the form of a waiver or modification of the relevant rules. As stated in SUP 8.3.6G, the FSA may impose conditions on a waiver, such as additional reporting requirements. The reporting requirements set out below are a condition for the granting of the relevant waiver(s) in this case. The proforma overleaf sets out the information which the FSA requires from firms in this regard. Firms should submit this information with the same frequency as they currently submit their regular financial reporting statements - the paper report will be regarded as forming a part of a firm's standard reporting statement. Frequency and timing of reporting should be in accordance with SUP 16.7.25R to SUP 16.7.27R.

58. Backtesting exceptions

<u>Further guidance on the review process for internal models can be obtained from the FSA.</u> Notifications of exceptions to the FSA and adjustments to capital requirements should be made in accordance with the timing of the following schedule:

t=-1: firm makes t=0 VaR prediction based upon its positions at close of business t=-1.

t=0: firm incurs profit or loss.

t=+1: firm calculates daily P&L for t=0 and compares to VaR prediction in accordance with the CAD backtesting requirements.

t=+2: firm should notify the FSA of an exception by close of business. All exceptions should be reported.

t=+3: firm should reflect increased capital requirement (if appropriate) in accordance the CAD backtesting requirements.

Firms should additionally be mindful of the following:

(a) An exception is considered to have occurred where the daily loss experienced by a firm exceeds its VaR prediction. For these purposes, the VaR prediction should be compared to daily 'cleaned actual P&L' at the whole-book level (or other level as appropriate to the scope of the model). 2. Firms should report all exceptions in accordance with the schedule above. This may be done by telephone to the firm's usual supervisory contact. An exception will automatically lead to the adjustment of a firm's capital on t=3 (if required in accordance with the CAD criteria) unless a firm has agreed with the FSA that the exception may be 'disregarded'. The FSA's agreement to 'disregard' an exception may additionally be granted retrospectively. A firm seeking to have an exception 'disregarded' should submit to the FSA a written explanation of why the exception occurred, and why it would be appropriate to 'disregard' it.

(b) All firms should submit to the FSA a written report of exceptions, with details of the amount of each exception, explanations for why each exception occurred and consequent action taken-on a monthly basis.(Category A and B firms and Broadscope firms should submit this in conjunction with their standard reporting statement. Category C and D firms and Arrangers should submit exception reports in accordance with the timing of the standard monthly reporting cycle.) There is no prescribed format for the reporting of exceptions.

59. Calculation of Regulatory Capital based on Firm's Internal Assessment of Value-at Risk

Firm Code:

Currency:
Statement date:

Date Submitted:

	Previous Day's VaR	60 Day Average VaR
Modelled Market Risk and FX Risk		
Specific Risk Surcharge		

Overall VaR

Multiplication factor

Reg. Cap. requirement

*Number of instances in reporting period when previous day's VaR exceeded 60 day average VaR x multiplication factor.

Explanation of significant changes from previous report date

Notes: Value of positions should be shown in box 128 of the standard reporting statement for non-ISD firms.

* Where firms have reported instances, a supplementary written explanation of the causes should be submitted.

Guidance on the completion of LEM Forms for securities and futures firms which are ISD firms

I SUMMARY OF REPORTING REQUIREMENTS

(1) An exposure

The measurement of an exposure should reflect the maximum loss, which would occur should a counterparty fail, or the loss that may be experienced due to the realisation of assets or off-balance sheet positions. IPRU(INV) 10 provides details of the rules, which have been expanded upon below.

A large exposure forms the basis for the completion of Form LEM, as required under CAD. With regard to the compliance of quarterly reporting of large exposures, FSA, with prior authorisation, will allow firms to measure whether a large exposure has occurred, based upon the firm's own funds rather than financial resources and own funds, on condition that financial resources are higher than own funds.

Exposures should be measured prior to any exemptions detailed in IPRU(INV) 10-192R(1),(2), and (3), unless otherwise detailed in IPRU(INV) 10-32R(3) to 10-32R(7).

Whether an exposure falls as a trading book or non trading book item will vary from firm to firm. For the purpose of this return, an exposure should be classified as trading book or non trading book in the same manner as it is for the capital calculation, as detailed in IPRU(INV) 10 and any further updates thereto.

Exposures entered into by a firm as trustee are excluded from the scope of the large exposures return. This covers all client assets, but excludes any buffer held by the firm within the segregated client account, which is reflected within the firm's balance sheet, and should be included in the large exposures return.

Non trading book issuer risk is the full market value of the underlying exposure.

If the firm has any doubt on whether a constituent of a large exposure should be reported, it should continue to report the exposure until it has received guidance to the contrary from FSA.

Examples of exposures include, but are not limited to:–

(a) fees receivable/prepayments;

(b) stockborrowing/stocklending, repos/reverse repos; and their foreign equivalents; buy/sells, sell/buys - these should be recorded as for CRR but without any counterparty weighting factors;

(c) deposits, loans, current account credit balances, including those denominated in precious metals;

(d) discounted bills held;

(e) the net investment in finance leases;

(f) bonds, bond futures, and bond options;

(g) equity positions held as principal, equity options, equity warrants, equity futures, swaps, contracts for difference, and similar instruments;

(h) interest rate contracts, including single currency interest rate swaps, basis swaps, forward rate agreements, interest rate futures, and products with similar characteristics;

(i) foreign exchange rate contracts, cross currency swaps, cross currency interest rate swaps, outright forward foreign exchange contracts, currency futures, currency options purchased, outstanding currency option premia, and similar instruments;

(j) acceptances, promissory notes, loan stock, commercial paper, MTN`s, and other paper held;

(k) margin deposits with futures, options, commodities exchanges, and other clearing houses, brokers, investment exchanges;

(l) forwards, including buy/sells, sell/buys and similar transactions;

(m) free deliveries, failed trades, and any trade with extended settlement day;

(n) those claims arising from similar transactions entered into by the firm;

(o) all intra-group exposures which do not fall within any consolidation.

Exposures which are exempt from the quarterly report:–

(a) exposures and other assets which have already been deducted when calculating the firm’s own funds for the purpose of monitoring large exposures. Such deductions can be found in IPRU(INV) 10-61R(1)B - these include the reporting firm’s own shares and investments in subsidiaries and associated companies;

Material holdings in credit and financial institutions which have been deducted in full when calculating own funds. See IPRU(INV) 10-192R(1)(k);

(b) claims arising in the course of settlement of a foreign exchange transaction on a counterparty where the firm has settled its side of the transaction, but has not received the corresponding payment, for a period of up to two working days after payment was made. After this period such claims will constitute an exposure. See IPRU(INV) 10-190R(2)(a);

(c) exposures to Zone A governments, related government entities (e.g. Inland Revenue, Bank of England, government debt), and the EU/European Communities see - IPRU(INV) 10-32R(7). This does not extend to local government, unless a full legal guarantee exists, and complies where appropriate with EU legislation in respect of government support;

(d) in the case of securities, which are settled on a delivery versus payment basis, claims on the counterparty to the transaction which occur in the normal course of business up to and including the five business days (see IPRU(INV) 10-190R(2)(b)) following the due payment or delivery date;

(e) counterparty risk exposure on commodities, commodity derivatives, and other physical assets.

(2) The amount at risk

The amount at risk should, with certain exceptions detailed below (or otherwise advised to the firm) be reported as the exposure of the firm's actual or potential claim, contingent liability, or assets. IPRU(INV) 10 methodology takes precedence and should be followed in calculating all exposures, unless an alternative format is indicated within these reporting instructions.

Completion of the return should be in accordance with UK accepted accounting standards and practice subject to the paragraph above.

Bank accounts

Credit balances should not be offset with debit balances with any credit institution, unless legal opinion has been obtained. This opinion should address the issue of set off for term versus demand deposits/loans, and cross border set off. Firms internally should monitor their exposure to the counterparty in this manner to utilise this form of set off.

Balances recorded within forms LEM 1 or LEM 2 should be the cashbook value rather than the bank statement value. It should be noted that this is different to the methodology applied for completing Form LE under the provisions set out in IPRU(BANK).

Free Deliveries/Failed Trades

Free deliveries are reportable from the business day when delivery took place, at full value. The exposure recorded should be the higher of the market value of the underlying or the cash side to the transaction, where the firm has made a payment. Where the firm has made a delivery of securities, then the cash value of the transaction should be reported.

For transactions which are deemed to be cross border, then a window of one working day is available before the transaction becomes reportable, in line with IPRU(INV) 10-172R(4).

Failed trades have occurred if a trade for the purchase/sale of a security, incurred in the ordinary course of settlement, fails to settle during the five business days following and including due payment or due delivery date, where neither cash nor securities have been delivered.

Other failed transactions are reportable under the large exposures regime, such as foreign exchange. An exposure should become a reportable item when a foreign exchange transaction remains outstanding for two business days following due payment date in the ordinary course of settlement.

Interest and dividends

The value of outstanding claims should include interest and dividends due. Once the underlying equity issue has gone ex-dividend, and the dividend will not be reflected in the underlying price of the equity, then there will be a receivable due to the firm until payment is received.

Interest Rate Contracts/Equity Derivatives/Foreign Exchange

The reportable exposure for derivatives should be calculated in line with IPRU(INV) 10-174R.

Where a netting agreement is held which complies with current FSA requirements, it may then be utilised if the firm calculates its exposure to the counterparty or counterparty group on a net basis.

Loans, advances etc denominated in gold, silver, and other precious metals

Exposures in this form should be translated into the reporting currency at the closing spot price. Where the maximum exposure during a reporting period is required to be reported, the closing spot rate for the day on which the exposure occurred should be used. Precious metals should not be considered as a "cash equivalent", but as a commodity.

Netting

In reporting large exposures, counterparty credit balances should not be offset against counterparty debit balances, unless a netting agreement is in place. At no time may issuer exposure to company "A" be netted with counterparty exposure to "A".

Debt securities should not be netted against equity exposure for the same issuer. The **netting of debt securities issued by the same legal entity together with underlying derivatives are allowable.**

Firms should indicate, by way of a "*" against the relevant counterparty groups (next to column "a") on forms LEM 1 & 2, where they have reported net amounts.

Firms should be aware that currently there is a difference between CRR and large exposures with regard to the measurement of exposure and the maturity of the net exposure. Large exposure calculates the exposure using the underlying positive exposure with the longest maturity.

Any netting agreements should comply with FSA requirements at all times.

Receivables

Receivables, which include prepayments, dividends receivable (see **Interest and dividends**), and other receivables not exempted under the large exposures guidance notes, are reportable within the quarterly return.

Replacement cost/mark to market for derivative transactions

In order to include exposures which fall within the trading book, a firm should aggregate:–

(a) the total replacement cost (obtained by marking to market) of all of its contracts with a positive value. The exception to this is if the firm has a netting agreement with the counterparty, which complies with FSA requirements.

(b) an amount for potential future credit exposure which reflects the residual maturity of the contract, calculated as a percentage of the underlying notional amount in accordance with IPRU(INV) 10-174R(3).

Where a firm has not received option premia or acceptable collateral, this shortfall should be recorded as 100% of the exposure to the counterparty.

Any acceptable or adequate collateral held by a firm, should be recorded in column “c” of LEM 2.

Residual Maturity

The residual maturity of an option/swap, or any other derivative product falling within IPRU(INV) 10-174R, should be taken as the time from the reporting date until the final expiry date. Rollovers which are reset with a new contract, which details when the exposure will be cleared by either party to the contract, have maturity lengths equal to the total rollover period.

Underwriting Commitments - IPRU(INV) 130R to IPRU(INV) 133R

The firm's exposure (debt or equity), if using the Issuing Market Method, shall be its net exposure in line with IPRU(INV) 10-132R(1) and 10-132R(2). The net position can be reduced for new issues/tranches, using the discount percentages for the issuing market method (IPRU(INV) 10-133R(5)).

After “working day five”, the full market value of the remaining underwriting “stick” should be reported when taken in aggregation with other exposures to the counterparty/group.

(3) A counterparty

A counterparty is an individual, a legal entity, partnership/sole trader, or some other party to which the member firm is directly or indirectly exposed. Large exposures to the following types of counterparties should be reported as follows:–

A counterparty dealing as agent

Firms should treat the exposure as an exposure to the counterparty with whom it has contracted. This will mean the disclosed underlying clients where possible. If there are no disclosed underlying clients, then the deal should be deemed as being with the agent.

Group of connected third parties

A group of connected third parties is defined in IPRU(INV) 10 App 1.

A pension fund or other trust fund of the group should not be classified as connected for the purposes of this return.

Those counterparties which merge during the reporting period, should be included as connected counterparties from the date the offer goes unconditional. In such cases the exposure to these individual counterparties should be aggregated and considered as a single exposure to a group of closely related counterparties.

Exposures to a number of public sector bodies, or local authorities are deemed not to constitute a single exposure to a group of connected counterparties.

Where consolidated quarterly reporting on a sub-group basis has been requested, then all group exposures outside the sub-group should be included in Part 2.

Multilateral Development Banks

Multilateral development banks, as defined in IPRU(INV) 10 App 1, should be reported in Part 3(i) and 3(ii) of the return for those firms using Form LEM 2.

Parental or third party guarantees

The exposure should be recorded against the end counterparty, without any deduction for the amount provided for by the guarantor. The amount of guarantee utilised/drawn at the reporting date should be noted and recorded in column (i) of the return. The highest exposure to the "guarantor" during the reporting period should be included within column "g" of the return, and disclosed by way of memorandum below the details of the other exposure to the guarantor.

Guarantees granted by firms should be disclosed separately. The disclosure should be in the standard format required under **Part 2** of Form LEM 2. Utilisation at the reporting date should show the exposure to the firm if the guarantee were to be drawn, in order to cover the value of guaranteed reportable exposure at the close of business.

Credit institutions/Investment firms/ Third Country Investment Firm/ Clearing Houses and Exchanges

Definitions are provided in IPRU(INV) 10 App 1, and lists of recognised clearing houses and exchanges recognised for these purposes are shown in IPRU(INV) 10 Appendix 57.

(4) Identity of counterparty

The identity of a counterparty will generally be the customer named in a contract note. Where an agent identifies the underlying client, then the underlying client is the counterparty. In the case of a security held, the exposure should be against the issuer. In an equity derivative transaction, the underlying security should be included as exposure to the issuer, and the firm should record counterparty exposure against the relevant counterparty to the transaction.

Exposures guaranteed by a parent or third party should be recorded as exposure to the original counterparty, with the amount of exposure guaranteed by the guarantor recorded in column “i”. The overall utilisation of the guarantee should be recorded against the guarantor, with a memorandum indicating the amount of the guarantee included within the overall exposure.

II THE REPORTING FORM (LEM)- GENERAL, COVERAGE AND LAYOUT.

<u>GENERAL</u>

Forms LEM 1 or LEM 2 should be completed both on a solo and, where relevant a consolidated basis:

(a) Those firms who have been granted a waiver from consolidation (IPRU(INV) 10-204R) and hold a group wide ACMP (IPRU(INV) 10-196R), are exempt from reporting large exposures on a consolidated basis.

(b) Nil returns are required to be submitted.

(c) LEM 2 Forms are required to be submitted in line with SUP 16.7.25R and SUP 16.7.27R.

(d) Details of counterparty risk netting with counterparty groups during any part of the quarter, should be indicated by way of (*) against the counterparty group recorded in column “a” of Forms LEM 1 or 2.

Coverage and Layout of Forms LEM 1 and 2

All counterparties which have had a large exposure during the quarter should report that exposure. Firms should make further copies of the enclosed forms where required.

Large exposures should be reported in the same currency and format that the FSA requires for all other regulatory reporting.

Large exposures to individual counterparties and counterparty groups should be reported, in each category of counterparty, ranked in descending order using the "highest exposure during the reporting period".

Details of own funds/financial resources as at the reporting date should be reported on the front cover of Forms LEM 1 and LEM 2.

Large exposures as at the reporting date (see Form LEM 2, columns "d","e", and "f"), should be reported, and split between trading book and non trading book exposure.

An exposure which is not a large exposure as at the reporting date, but where there has been a large exposure since the previous reporting date should also be reported.

Any specific bad debt provisions raised but not yet passed through the accounting records should be indicated in column "b". Any non performing assets held where no specific provision has been raised should also be recorded here.

A memorandum showing the breakdown of material holdings in credit institutions/investment firms at the reporting date should be reported in the space provided on Form LEM 2. Any exposures which have been deducted from own funds and detailed in the Material Holdings in Credit and Financial Institutions will not appear in any further part of the quarterly return.

There may be circumstances where it is possible to record the exposure more than once. When in doubt, the firm should either report the exposure twice as an exposure to each counterparty, or seek guidance from the FSA.

PART 1

Large exposures to Corporates (individual non-credit institutions/non investment firms and groups of closely related non-credit institutions/investment firms)

Part 1 of Form LEM 2 - exposures to Corporates, which include all counterparties which do not fall within **Parts 2, 3**, or **4** of Form LEM 2;

Exposures to individual counterparties which constitute a group of connected third parties should be reported as one exposure.

Exposures to individual non-credit institution/investment firm counterparties and groups of closely related counterparties which are connected to the firm should be reported in **Part 2**.

Exposures to a local authority, state or public sector body about which the FSA has given guidance stating that it may be considered as an exposure to a central government, should be reported in **Part 4.**

PART 2

Exposures to individual group members of closely related counterparties connected to the reporting firm

Part 2 of Form LEM 2 - exposures to each individual legal entity within the firm's group which constitute a large exposure. Any legal entity which comes within the firm's world-wide group, should be reported here, rather than Part 3(i) or 3(ii) of the return.

When completing a consolidated version of Form LEM 2, only exposures to group members outside the scope of the group for FSA consolidation need to be reported.

For those firms required to complete a full group consolidated quarterly return, this part of the return will be nil. Those firms subject to sub-consolidation, as advised by the FSA, will be required to include connected exposure falling outside the "advised" consolidated group.(This is likely to be connected companies falling outside the EEA).

PART 3(i)

Large exposures to credit institutions/investment firms/ third country investment firms/ clearing houses and exchanges

References to "investment firms" hereafter are intended to include credit institutions, third country investment firms, clearing houses and exchanges recognised for the purposes of IPRU(INV) 10.

Exposures to groups of closely related investment firms should be recorded by legal entity basis within **Part 2** of LEM 2. An aggregation of the exposure to the group falling within this sector should be provided,(though it should not include capital instruments) deducted in calculating own funds. A breakdown of those material holdings deducted from own funds must be provided within the Material Holdings in Credit and Financial Institutions section of your return.

Exposures to exchanges should be reported as a separate entity, rather than splitting the exposure to the "owners" of the exchange, unless one owner either has a majority holding or management control.

Where a counterparty group contains a legal entity to which the firm has exposure, and this legal entity would be classified as an "Investment Firm", then all exposure to that counterparty group should be reported within **Part 3(i)/3(ii)**.

All exposure to entities which fall within the title for inclusion in **Part 3**, should fall within **Part 3(i)**, and any part of that total large exposure over 1 year, which taken in aggregate, and is equal to being classified as a large exposure, should be reported in **Part 3(ii)**.

A list of clearing houses/ exchanges recognised for these purposes can be found in, IPRU(INV) 10 App 57.

**##	PART 3(ii)**

Large exposures appearing in **Part 3(ii)**, should also be included in **Part 3(i)**. This will provide a breakdown of all medium to long term exposure - this is defined as exposure of one year and over (including a further breakdown of derivatives over 1 year).

Most issuer risk to counterparties falling within **Part 3** of LEM 2, unless there is less than 1 year to redemption, will fall within this section. An exposure with optional redemption dates for exercise should be classified in accordance with the latest redemption/maturity date.

Derivative exposure which falls within this category, should be shown separately from the total exposure over 1 year, by way of memorandum,[ie a second entry below the individual total large exposure for the counterparty group].

**##	PART 4**

***Large Exposures* to Zone B central governments and central banks**

List the highest large exposures which have occurred during the quarter to each Zone B counterparty group. Exposures to European Communities, and institutions which would fall under a formal guarantee issued by the above, should not be included.

For the purposes of this form of this report, exposure to the European Union (EU)/EEC should be considered to be equivalent to Zone A governments and not reportable for LEM.

General

The reporting forms only differ in the amount of data that needs to be completed. The standard form (LEM 1) only requires columns “a”,“f” and “g” to be completed.

Form LEM 1

There is no segregation between the type of counterparty within the standard form LEM 1. Exposures should simply be listed using the highest exposure during the quarter, in descending order.

See **Appendix 1** and **2** for copies of the quarterly reports (LEM 1 & 2). The column references referred to below are cross referenced accordingly.

Form LEM 2

Column reference

(a) This will be the counterparty, or where relevant the counterparty group - the exception to this is **Part 3i** and **3ii**, where a breakdown by legal entity to which the reporting firm has exposure is required.

##(b) This is any specific bad debt raised, which has already been deducted from own funds. This should also include any non-performing assets, where it is reasonable to determine that the counterparty to the transaction is outside the parameters set for the specific transaction, or the market norm. This is not aimed at failed trades, but at aged debt repayments which are unlikely to be repaid and for which no specific provision has been raised.

##(c) This should include any acceptable or adequate collateral at the reporting date which has_not already been used to reduce an exposure [trading or non trading] at the reporting date. With regard repos/reverse repos and other similar instruments dealt with under IPRU(INV) 10-173R, adequate collateral may be included where appropriate.

Items that should be recorded here would be any *exposures* not exempted or discussed above, where acceptable/adequate collateral has been lodged, which could cover a number of transactions. Partial coverage by acceptable/adequate collateral is permissible.

##(d) “R”- non-trading book exposure as at the reporting date.

##(e) “S”- trading book exposure at the reporting date.

(f) “T”- is the aggregate of “R” and “S” for each respective counterparty or group of counterparties.

(g) This should be the highest large exposure that occurred during the reporting period.

If a limits based approach is used, then the aggregate of the limits marked, plus any excesses, will be the highest large exposure during the reporting period.

##(h) The figure in “g” as a percentage of financial resources, at the date the highest large exposure occurred.

##(i) This should record the amount of exposure guaranteed by a parent/third party.

The aggregate amount of guaranteed exposure by each guarantor should be recorded by the firm within the total exposure to the guarantor. A memorandum line beneath each guarantor, should break out the size of the guaranteed exposure from the total [guarantee + other reportable exposure] to the guarantor.

SUP 16 Ann 12G: Reports from trustees of AUTs and depositaries of ICVCs (see SUP 16.6.9G)

1 Table

1. Trustees of AUTs

(1) Form 1 at the end of this annex provides a suggested format for the submission of the reports.

(2) The quarterly report should be completed each year as at 31 March, 30 June, 30 September, and 31 December.

(3) The report should be signed by an *approved person* who has responsibility for the *firm's trustee* area.

(4) A *firm* should refer to *CIS* 4, 7, 15 and Appendix *CIS* before completing this report.

2. Depositaries of ICVCs

(1) Form 2 at the end of this annex provides a suggested format for the submission of the reports.

(2) The quarterly report should be completed each year as at 31 March, 30 June, 30 September, and 31 December.

(3) The report should be signed by an *approved person* who has responsibility for the *firm's depositary* area.

(4) A *firm* should refer to *CIS* 4, 7 and Appendix *CIS* before completing this report.

Form 1

Quarterly Return of Notifiable Breaches – Authorised Unit Trusts

1. Pricing Errors

Manager	Did status of manager change in quarter? (Note)	No. of pricing errors of 0.5% and above	No. of pricing errors below 0.5%, where trustee does not consider manager's controls to be adequate	No. of authorised unit trusts in operation
Note = From "controls adequate" to "controls inadequate" (or vice versa). Where the manager's status changed, the report should state the date of that change and the number of reportable breaches of CIS 4 and 15 before and after that change of status.				

2. Negative Boxes

Manager	Did status of manager change in quarter? (Note 1)	No. of negative boxes where CIS 4.3.12R and CIS 15.3.12R have not been applied. (Note 2)	No. of authorised unit trusts in operation
Note 1 = From "controls adequate" to "controls inadequate" (or vice versa). Where the manager's status changed, the report should state the date of that change and the number of reportable breaches of CIS 4 and 15 before and after that change of status.			
Note 2 =. The application of CIS 4.3.12R and CIS 15.3.12R relates to the correction of an error by the manager with the trustee's agreement in accordance with CIS 4.3.12R and CIS 15.3.12R.			

The statistical information above has been provided to the *FSA* in accordance with *SUP* 16.6.8R(1).

Knowingly or recklessly giving the *FSA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FSA* and to notify the *FSA* immediately if materially inaccurate information has been provided. *SUP* 16.3.11R requires an *authorised person* to submit reports containing all the information required. *APER* 4.4.6E provides that, where an *approved person* is responsible for reporting matters to the *FSA*, failure to inform the *FSA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FSA*. It should not be assumed that information is known to the *FSA* merely because it is in the public domain or has previously been disclosed to the *FSA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed

Name

Position

Date

Form 2

Quarterly Return of Notifiable Breaches – Investment Companies with Variable Capital

1. Pricing Errors

Authorised Corporate Director (ACD)	Did status of ACD change in quarter? (Note)	No. of pricing errors of 0.5% and above	No. of pricing errors below 0.5%, where depositary does not consider manager's controls to be adequate	No. of Investment Companies with Variable Capital in operation
Note = From "controls adequate" to "controls inadequate" (or vice versa). Where the ACD's status changed, the report should state the date of that change and the number of reportable breaches of CIS 4 before and after that change of status.				

2. Negative Boxes

Authorised Corporate Director (ACD)	Did status of ACD change in quarter? (Note 1)	No. of negative boxes where CIS 4.3.12R has not been applied. (Note 2)	No. of Investment Companies with Variable Capital in operation
Note 1 = From "controls adequate" to "controls inadequate" (or vice versa). Where the ACD's status changed, the report should state the date of that change and the number of reportable breaches under CIS 4 before and after that change of status.			
Note 2 = The application of CIS 4.3.12R relates to the correction of an error by the ACD with the depositary's agreement in accordance with CIS 4.3.12R.			

The statistical information above has been provided to the *FSA* in accordance with *SUP* 16.6.8R(2).

Knowingly or recklessly giving the *FSA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FSA* and to notify the *FSA* immediately if materially inaccurate information has been provided. *SUP* 16.3.11R requires an *authorised person* to submit reports containing all the information required. *APER* 4.4.6E provides that, where an *approved person* is responsible for reporting matters to the *FSA*, failure to inform the *FSA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FSA*. It should not be assumed that information is known to the *FSA* merely because it is in the public domain or has previously been disclosed to the *FSA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed

Name

Position

Date

NAME OF RETURN (To be put on each return by FSA)

Return Reference Number (To be put on each return by FSA)

This return is date critical.

To be Completed by Firm	
Firm's Name	
Firm's Reference Number	
To be completed by FSA	
Date and Time of Receipt	
Entry Receipt Number	
Name & Initials of Person Receiving it	
Division Passed To	

Annex E
Amendments to text already made

Transitional provisions

Transitional provision 3 In column (2), delete "and *SUP* 3.10.4R".

Chapter 4 Actuaries

SUP 4.2.4G Amend as shown below:

The function described by *SUP* 4.2.2G(2) is performed by the *appropriate actuary* who is appointed ~~triennially~~ to prepare the triennial investigation and interim certificate or statement required by *IPRU(FSOC)* 5.2.(1) (see *SUP* 4.4.7R to *SUP* 4.4.10G for the rights and duties of an *appropriate actuary*).

SUP 4.4.1R Amend as shown below:

A *firm* to which this section applies (see *SUP* 4.1) and required by *IPRU(FSOC)* 5.2.(1) to ensure that an investigation is carried out must:

(1) appoint an *actuary* (the "*appropriate actuary"*) to carry out the triennial investigation and prepare an abstract of the report as required by *IPRU(FSOC)* 5.2(2) and provide the interim certificate or statement as required by *IPRU(FSOC)* 5.2(3); and

(2) appoint a replacement for that *actuary* if he ceases to hold office before he has carried out the duty described in (1).

SUP 4.4.2G Delete this provision.

SUP 4.4.7R Amend as shown below:

An *appropriate actuary* must carry out the triennial investigation and prepare an abstract of ~~it~~ the report as required by *IPRU(FSOC)* 5.2(2)~~[number to be inserted later]~~ and provide the interim certificate or statement as required by *IPRU(FSOC)* 5.2(3).

Chapter 10 Approved persons

SUP 10.1.16R Insert a comma before "as they apply".

Chapter 11 Controllers and close links

SUP 11.1.2R Amend as shown below:

	Category of firm	Applicable sections
(1)	A *UK domestic firm* other than a *non-directive friendly society*	All except *SUP* 11.3 and *SUP* 11.4R
(2)	A *non-directive friendly society*	*SUP*11.1, *SUP* 11.2, and *SUP* 11.9
(3)	An *overseas firm*	……

SUP 11.1.3G Before "*friendly societies*", add *"directive".*

SUP 11.1.5G Before "*friendly societies*", add *"directive".*

SUP 11.3.11G Add the following at the end:

"Regulations 7 to 9 of the Financial Services and Markets Act 2000 (Service of Notices) Regulations 2001 (SI 2001/1420) govern the manner in which a notice of *control* may be submitted. In summary, it should be delivered or *posted* to the *FSA*'s address as shown on the Forms, and will be treated as given when it is received by the *FSA*. It should not be sent by fax or electronic mail."

Chapter 12

SUP 12.2.13G(3) Delete this provision.

SUP 12.6.8G In the first sentence, after "of a *firm"*, add ", other than an *introducer appointed representative,*".

SUP 12.6.8(1) After "*appointed representative"*, add ", other than an *introducer appointed representative,*".

Chapter 15 Notifications to the FSA

Annex 1R Amend as follows:

(a) in the heading and in paragraph 1, replace "this chapter" with "*SUP* 15";

(b) in paragraph 2, move "only" to come after "*services*" rather than after "*permission*";

(c) in the table, third column, second row, insert "*SUP*" before "15.3.1R(1)";

(d) in the table, third column, rows 3, 5, 6, 7 and 10, set out " in so far" as three words;

(e) in the table, third column, row 11, replace from "but such a firm" to "automatic authorisation)." with "but see *SUP* 14 (Incoming EEA firms: changing authorisation and cancelling qualification for authorisation).";

(f) add a new row at the end of the table as follows:

SUP 15.8	Notifications in respect of particular products and services	Applies in full

Chapter 16 Reporting requirements

SUP 16.1.3R In the row entitled *SUP* 16.7, replace "*Bank*" with "*Bank*, other than an *EEA bank* with *permission* for *cross border services* only".

SUP 16.3.7R Replace this provision with the following:

"A report required under this chapter must:

(1) give the *firm's* FSA firm reference number; and

(2) if submitted in paper form, be submitted with the cover sheet contained in *SUP* 16 Ann 13R."

SUP 16.3.15G Replace this provision with the following:

"The *FSA* may from time to time send reminders to *firms* when reports are overdue. *Firms* should not, however, assume that the *FSA* has received a report merely because they have not received a reminder."

SUP 16.4.7G For "and indicate all the *firms* on whose behalf it is submitted" substitute ", indicate all the *firms* on whose behalf it is submitted and give their FSA firm reference numbers".

SUP 16.5.6G For "and indicate all the *firms* on whose behalf it is submitted" substitute ", indicate all the *firms* on whose behalf it is submitted and give their FSA firm reference numbers".

SUP 16.6.7R For the Note, substitute the following:

"Note = The quarter ends are 31 March, 30 June, 30 September, 31 December."

SUP 16.7.5R In first row, replace "*Bank*" with "*Bank*, other than an *EEA bank* with *permission* for *cross border services* only".

SUP 16.7.8R Amend as follows:

(a) Note 2, and the cross-references to it in the table, become Note 3;

(b) Note 3, and the cross-references to it in the table, become Note 4;

(c) Note 4, and the cross-references to it in the table, become Note 5;

(d) insert a new Note 2 as follows:

"Note 2 = The requirement to submit consolidated reports applies only to a *bank* which calculates its capital requirements on a consolidated basis. See *IPRU(BANK)* GN 3.3.13R(2) and *IPRU(BANK)* CS 4. All consolidated reports required on a half yearly basis must be prepared as at the end of June and December of each year. ";

(e) insert the cross-reference "(Note 2)" in the column of the table headed "Form" in the rows entitled:

- "Adequate information on capital adequacy (Consolidated)";
- "Analysis of large exposures (Consolidated)"; and
- "Adequate information on holdings of credit and financial institutions' and non-financial companies' capital instruments (Consolidated)";

(f) insert a new Note 6 as follows:

"Note 6 = Reports required on a quarterly basis must be prepared as at the end of March, June, September and December of each year, except that a *bank*, which submits the BT report to the Bank of England monthly, must prepare the Form LR (Adequate information on mismatch liquidity) as at the end of February, May, August and November each year.";

(g) in the column headed "Due date", after each reference to "after quarter end" insert "(Note 6)".

SUP 16.7.9R Replace "*EEA Bank*" with "*EEA Bank*, other than one with *permission* for *cross border services* only,".

SUP 16.7.10R In the column headed "Due date", after "submitted electronically)", insert ". The report must be prepared as at the dates set out in Note 6 to *SUP* 16.7.8R."

SUP 16.7.12R Amend the column headed "Due date" as follows:

(a) in the row containing a reference to "B7", after "submitted electronically)", insert ". Period ends are the end of June and December each year.";

(b) in the row containing a reference to "LR", after "submitted electronically)", insert ". The report must be prepared as at the dates set out in Note 6 to *SUP* 16.7.8R."

SUP 16.7.12R In the column headed "Form", delete "(Note 2)".

SUP 16 Ann 12G Amend as follows:

(a) in paragraph 1.(3), for "an *approved person* who works in the *firm's trustee* area" substitute "an *approved person* who has responsibility for the *firm's trustee* area";

(b) in paragraph 2.(3), for "an *approved person* who works in the *firm's depositary* area" substitute "an *approved person* who has responsibility for the *firm's depositary* area";

(c) in Form 2, Table 1, fourth column, for "manager's" substitute "ACD's".

SUP 17 Annex 5G: Regulated markets

Replace the existing text with the following:

1 Table List of the regulated markets notified to the Commission by the Member States under Article 16 of the *ISD* as at 22 March 2001

Austria

1. Amtlicher Handel (official market)
2. Geregelter Freiverkehr (semi-official market)
3. Amtlicher Handel NEWEX (official market)
4. Geregelter Freiverkehr NEWEX (semi-official market)

Belgium

1. Bourse de valeurs mobilières d’Euronext Brussels:
— Le premier marché (official market)
— Le second marché
— Le nouveau marché
2. Belfox (Bourse belge des futures et options)
3. Le marché secondaire hors bourse des obligations linéaires, des titres scindés et des certificats de trésorerie
4. EASDAQ

Denmark

1. Københavns Fondsbørs
— Equity market;
— Bond market;
— Derivatives market
2. Dansk Autoriseret Markedsplads A/S (Danish Authorised Market Place Ltd. (DAMP)) [authorised market place = regular trade in securities admitted for trading but not listed on stock exchange]

Finland

1. Arvopaperipörssi (Stock Exchange);
— Päälista (Main List for equity and Debt Instruments;
— I-, NM- ja Prelista (parallel Lists I-, NM-and pre-list for equity and debt instruments);
2. Optioyhteisö (Option Corporation).
(Derivatives exchange and clearing house).

France

1. Bourse de Paris:
— Premier marché (official list);
— Second marché;
— Marché des EDR (European Depositary Receipts.
2. Nouveau marché
3. MATIFgi
4. MONEP

Germany

1. Berliner Wertpapierbörse: (Amtlicher Handel, Geregelter Markt)
2. Bremer Wertpapierbörse (Amtlicher Handel, Geregelter Markt)
3. Rheinisch-Westfälische Börse zu Düsseldorf (Amtlicher Handel, Geregelter Markt)
4. Frankfurter Wertpapierbörse (Amtlicher Handel, Geregelter Markt, Neuer Markt);
5. Eurex Deutschland
6. Hanseatische Wertpapierbörse Hamburg (Amtlicher Handel, Geregelter Markt, Start-up market)
7. Niedersächsische Börse zu Hannover (Amtlicher Handel, Geregelter Markt)
8. Bayerische Börse (Amtlicher Handel, Geregelter Markt)
9. Baden-Württembergische Wertpapierbörse(Amtlicher Handel, Geregelter Markt)

Greece

1. Athens Stock Exchange (A. S. E.)/Thessaloniki Stock Exchange Centre (T. S. E. C. = remote platform)
— Main Market
— Parallel Market
— Parallel Market for EmergingMarkets
— New Market
2. Athens Derivatives Exchange (A. D. EX.)

Ireland

Irish Stock Exchange comprising:
— Official List
— Exploration Securities Market
— Developing Companies Market
— ITEQ

Italy

1. Stock Exchange, divided into the following segments:
— Electronic share market (MTA);
— Electronic covered warrants market (MCW);
— After-Hours Market (TAH);
— Electronic bond and government securities market (MOT);
— Electronic market for Eurobonds, foreign bonds and asset-backed securities (EuroMOT);

— Electronic traditional options market (MPR);
2. Mercato Ristretto (second market);
3. Derivatives market (IDEM);
4. Nuovo Mercato (New Market -NM);
5. Italian Government Securities Derivatives Market (MIF);
6. Wholesale Market for Government Securities (MTS);
7. Wholesale Market for Corporate and International Organisations Bonds.

Luxembourg

Bourse de Luxembourg:
— Main market:
— International Bond market

Netherlands

Amsterdam Stock exchange (AEX):
— Main market
— Domestic market for unlistedsecurities:
— Nieuwe Markt Amsterdam

Portugal

1. Mercado de Cotações Oficias (Official Quotation Market)
2. Segundo Mercado (Second Market)
3. Novo Mercado (New Market)
4. Mercado de Futuros e Opções (Futures and Options Market)
5. MEOG – Mercado Especial de Operações por Grosso (Special Market for Block Trading)
6. MEDIP – Mercado Especial de Dívida Pública (Special Market for Public Debt)

Spain

A. Bolsas de Valores (all comprise first, second and new market segments)
1. Bolsa de Valores de Barcelona;
2. Bolsa de Valores de Bilbao;
3. Bolsa de Valores de Madrid;
4. Bolsa de valores de Valencia.
B. Mercados oficiales de Productos Finacieros Derivados
1. MEFF Renta Fija;
2. MEFF Renta Variable.
C. Mercados FC&M de Futuros y Opciones sobre Cítricos [commodity derivatives not covered by section B annex ISD: related markets do not fall within ISD definition of "regulated market"]
D. AIAF Mercado de Renta Fija
E. Mercado de Deuda Pública en Anotaciones

Sweden

1. OM Stockholmsbörsen:
— "A-list" market;
— "OTC-list" (small companies);
— "O-list" (unlisted companies)
2. OM Räntebörsen (fixed income);
3. SBI Marknadsplats
4. Aktietorget

United Kingdom

1. Domestic Equity Market
2. European Equity Market
3. Gilt Edged and Sterling Bond Market
4. Alternative Investment Market (AIM).
5. The London International Financial Futures and Options Exchange (LIFFE)
6. OM London
7. Tradepoint [this market has since changed its name to virt-x]
8. Coredeal (primarily a eurobond market)
9. Jiway

2 Table List of the regulated markets notified under Article 16 of the *ISD*, as included in point 30b of Annex IX to the Agreement of the European Economic Area, to the Standing Committee of the EFTA as defined in that agreement as at April 2001

Iceland
  Iceland Stock Exchange (Verdbrefathing Islands)
Liechtenstein
Norway
  The Oslo Stock Exchange

Chapter 19 Commodity Futures Trading Commission Part 30 exemption

SUP 19.1.1G Amend as follows:

(a) renumber existing provision (2) as (3);

(b) insert after a new provision (2) as follows:

"which carries on those activities from an establishment maintained by the *firm* in the *United Kingdom*;"

Appendix 2 Insurers: Scheme of operations

SUP App 2.6.1G	For "*SUP* App 2.3 to App 2.6" substitute "*SUP* App 2.3 to App 2.5".
SUP App 2.7.1G	For "*SUP* App 2.3 to App 2.6" substitute "*SUP* App 2.3 to App 2.5".
SUP App 2.9.1R(2)	In the brackets, for "for" substitute "including".
SUP App 2.9.4R	Insert the *IPRU(FSOC)* reference as "4.1".
SUP App 2.9.5G	Insert the *IPRU(FSOC)* reference as "4.1".
SUP App 2.9.6G	Insert *IPRU(FSOC)* reference as "4.1(2)".
SUP App 2.9.8R	In row (7), before "class of insurance", add "accounting".
SUP App 2.10.1R	For "*SUP* App 2.3 to App 2.6" substitute "*SUP* App 2.3 to App 2.5" and for "*SUP* 6.5" substitute "*SUP* 6.4".
SUP App 2.10.4G(7)	Insert the *IPRU(INS)* reference as "11.1".
SUP App 2.11.1R(3)	After "5%" add "in any one year".

SUP App 2.11.1R(4)(a) and (b) After "5%" add "in any one year".