LEVERAGE REQUIREMENTS RETURN (LRR)

PURPOSE

This return provides the leverage ratio of the reporting institution, as well as details of the calculation.

STATUTORY

Section 628 of the Bank Act and Section 495 of the Trust and Loan Companies Act.

APPLICATION

This return applies to all banks, bank holding companies trust and loan companies and cooperative retail associations, collectively referred to as institutions. This includes institutions that are subsidiaries of federally regulated financial institutions (FRFIs). Foreign bank branches are not required to complete this return.

PUBLICATION

Certain information from this return is available on a total and institution-by-institution basis on the OSFI website at www.osfi-bsif.gc.ca.

FREQUENCY

Institutions with fiscal year-ends of October – Quarterly – January, April, July and October
Institutions with fiscal year-ends of December– Quarterly – March, June, September and December

CONTACT PERSON

Provide name and phone number of the person to contact at your FRFI regarding any questions about this return.

REPORTING DATES

The return must be completed on a quarterly fiscal basis and filed within 30 days of fiscal quarter end.

CONTACT AGENCY

OSFI

GENERAL INSTRUCTIONS

The LRR is to be completed using the methodologies and calculations described in OSFI's Leverage Requirements Guideline (the "guideline"). The purpose of these instructions is to ease completion of the return by referencing its components to the applicable paragraph(s) of the guideline. In addition to guideline references, these instructions provide supplementary explanation for selected sections or cells in the return. Further guidance is provided through cross-referencing formulas in the return itself.

Generally, the LRR must be completed by all banks, bank holding companies, cooperative retail associations and federally regulated trust and loan companies. These OSFI-regulated entities are collectively referred to herein as institutions.

The shaded cells are totals or sub-totals. Although these cells are the result of arithmetic operations they must be populated by the institution as the return does not contain any built-in formulas.

Scope of Reporting Entity
Exposures and capital measures are to be reported on a group-wide basis for all entities which are consolidated by the institution for leverage requirement purposes as described in the guideline.

Calculation versus Reporting Detail
The two sections in this return are designed to provide the overall calculation of the Leverage Ratio (LR) as well as certain breakdowns regarding key components. In the case of derivatives exposure reported in Section 2, institutions must prepare more detailed breakdowns and calculations in order to derive the summary data required by the return. As a result, the reported figures will not necessarily be sufficiently detailed to enable a precise replication of the calculation.

LEVERAGE REQUIREMENTS

Section 1 – Leverage Ratio Calculation

1. On-balance sheet items

All on-balance sheet items should be reported net of individual or collective allowances. The following table provides a description of each data point address (DPA).

DPA	Description	Instructions	LR para reference
1101	On balance sheet assets for purposes of the Leverage Ratio – Accounting balance sheet value	Total on balance sheet assets based on the regulatory scope of consolidation. Amounts should be net of specific or general provisions or accounting valuation adjustments (e.g. accounting credit valuation adjustments). This amount should include grandfathered securitization exposures reported in DPA 1105.	11
1108	On balance sheet assets for purposes of the Leverage Ratio – Gross value	Total on balance sheet assets based on the regulatory scope of consolidation assuming no accounting netting or credit risk mitigation effects (i.e. gross values). This amount should include grandfathered securitization exposures reported in DPA 1116.	11
1102	Derivatives – Accounting balance sheet value	Positive fair values of derivatives reported on a net basis (i.e. reflecting the effect of netting agreements and credit risk mitigation when permitted under IFRS.)	22
1109	Derivatives – Gross value	Positive fair values of derivatives reported on a gross basis.	22
1103	Securities financing transactions – Accounting balance sheet value	On balance sheet amount related to securities financing transactions. This amount should be reported net of individual or collective allowances and include the effects of netting agreements and credit risk mitigation only as per IFRS.	32
1110	Securities financing transactions – Gross value	On balance sheet amount related to securities financing transactions with no recognition of accounting netting of (cash) payables against (cash) receivables.	32
1112	Receivables for cash variation margin provided in derivatives transactions – Gross value	The receivables for eligible cash variation margin provided in derivatives transactions if the institution is required under IFRS to recognise these receivables as an asset. The amount reported must also be included in on balance sheet assets for purposes of the Leverage Ratio (DPA 1108).	22

1113	Exempted CCP leg of client-cleared trade exposures (initial margin) – Gross value	The initial margin portion of exempted trade exposures to a QCCP from client-cleared derivatives transactions, where the institution acting as clearing member is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the QCCP defaults. The amount reported must also be included in on balance sheet assets for purposes of the Leverage Ratio (DPA 1108).	23
1114	Securities received in a SFT that are recognized as an asset – Gross value	Securities received in a SFT that are recognised as an asset under IFRS and therefore included in on balance sheet assets for purposes of the Leverage Ratio (DPA 1108).	32
1104 1115	Asset amounts deducted in determining Basel III “all-in” Tier 1 capital	Regulatory adjustments to Common Equity Tier 1 and Additional Tier 1 capital on an all-in basis. This amount should equal the sum of DPAs 1517, 1533, 1537, 1546, 1550, and 1565 on the BCAR reporting form. Deductions should be reported as a positive amount.	15
1105	Grandfathered securitization exposures - Accounting Balance sheet value	Accounting balance sheet value of mortgages sold through CMHC programs up to and including March 31, 2010 where grandfathering is permitted under the Guideline.	20
1116	Grandfathered securitization exposures - Gross value	Gross value of mortgages sold through CMHC programs up to and including March 31, 2010 where grandfathering is permitted under the Guideline.	20
1106 1117	Securitized assets meeting SRT criteria	Gross amounts for securitized assets meeting operational requirements for the recognition of risk transference (SRT criteria) as set out in paragraph 27 of Chapter 7 of the CAR Guideline.	17
1107	On-balance sheet assets - excluding derivatives and SFTs - Accounting Balance sheet value	The amount of on balance sheet assets excluding the amounts related to derivatives and SFTs. This amount should equal DPA 1101-1102-1103-1104-1105+1106.	14
1118	On-balance sheet assets - excluding derivatives and SFTs - Gross value	The gross value of on balance sheet assets excluding the amounts related to derivatives and SFTs. This includes any instrument (including cash) borrowed or lent through an SFT when it is reported on the accounting balance sheet. This amount should equal DPAs 1108-1109-1110+1111-1112-1113-1114-1115-1116+1117.	14
1119	Memo Item: Adjustments for SFT sales accounting transactions	The value of securities lent in a SFT that are derecognised due to a sales accounting transaction.	35

2. Derivatives exposure

Subsection 1.2 includes a summary of the amounts reported on Section 2 of the LRR. The following table provides a description of each DPA.

DPA	Description	Instructions	LR para reference
1201	Derivatives not covered by an eligible bilateral netting contract	Total derivatives exposure for derivative transactions that are not subject to an eligible bilateral netting contract. This amount should equal the amount reported in DPA 2110 in Section 2.	21
1202	Derivatives covered by an eligible bilateral netting contract	Total derivatives exposure for derivative transactions that are subject to an eligible bilateral netting contract. This amount should equal the amount reported in DPA 2129 in Section 2.	21
1203	RC of exempted leg of client-cleared trade exposure	The replacement cost portion of exempted trade exposures to a QCCP from client-cleared derivatives transactions, where the institution acting as clearing member is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the QCCP defaults.	23
1204	PFE of exempted leg of client-cleared trade exposure	Potential future exposure associated with exempted CCP leg of client-cleared trade exposures assuming no netting or CRM.	23
1205	Placeholder	This is a placeholder for future use; “0” should be entered in this cell unless otherwise instructed by OSFI.	
1206	Net notional exposure for written credit derivatives	The net notional exposure for written credit derivatives. This amount should equal the amount reported in DPA 2224 in Section 2.	26-30
1207	Total Derivative Exposures	Total Derivatives Exposures for purposes of the LR. This amount should equal DPAs 1201+1202-1203-1204+1205+1206.	22

3. Securities Financing Transactions (SFT)

SFT exposures are to be reported in subsection 1.3. The following table provides a description of each DPA.

DPA	Description	Instructions	LR para reference
1301	SFT agent transactions – Notional Amount	The notional amount of SFT transactions where the institution acts as an agent and provides an indemnity against credit risk.	36-38

1311	SFT agent transactions – Counterparty exposure	The counterparty exposure measure of eligible SFT agent transactions where the institution provides an indemnity for credit risk. As noted in the guideline, the determination of PFE for SFTs under the risk-based capital ratios requires the institution to apply haircuts to the value of securities and for foreign exchange risk. Since counterparty risk for SFTs for leverage ratio purposes is determined solely by the current exposure portion of the formula, no haircuts are needed in the leverage ratio calculation.	36-38
1303	All other SFTs (after adjusting for sale accounting transactions) – Accounting balance sheet value	The balance sheet value of SFTs other than SFT agent transactions. This amount should be reported net of specific provisions and valuation adjustments and include the effects of netting agreements and credit risk mitigation only as permitted under IFRS. SFT traded OTC, on an exchange and through a CCP should all be included.	35
1305	All other SFTs (after adjusting for sale accounting transactions) – Gross value	The gross value of SFTs other than SFT agent transactions. This amount should be reported with no recognition of accounting netting of (cash) payables against (cash) receivables. SFT traded OTC, on an exchange and through a CCP should all be included.	35
1307	All other SFTs (after adjusting for sale accounting transactions) – Adjusted Gross SFT assets	The adjusted gross SFT assets of all SFTs other than SFT agent transactions. Cash payables and cash receivables may be measure net if the criteria in the guideline are met.	35
1312	All other SFTs (after adjusting for sale accounting transactions) – Counterparty exposure	The counterparty credit risk exposure of all SFTs other than SFT agent transactions. Netting is permitted as outlined in the guideline. As noted in the guideline, the determination of PFE for SFTs under the risk-based capital ratios requires the institution to apply haircuts to the value of securities and for foreign exchange risk. Since counterparty risk for SFTs for leverage ratio purposes is determined solely by the current exposure portion of the formula, no haircuts are needed in the leverage ratio calculation.	33-35
1302 1304 1306 1308 1313	Placeholder	These are placeholders for future use; "0" should be entered in this cell unless otherwise instructed by OSFI.	
1309	Total SFT Exposure – adjusted gross SFT assets	Total adjusted assets for Securities Financing Transactions for purposes of the LR. The amount should equal DPA 1307+1308.	31
1314	Total SFT Exposure – counterparty exposure	Total counterparty exposure for Securities Financing Transactions for purposes of the LR. This amount should equal DPAs 1311+1312+1313.	32

1310	Memo Item: SFT exposures to QCCPs from client-cleared transactions – Adjusted Gross SFT assets	The adjusted gross SFT assets related to exposures to QCCPs from client-cleared SFT transactions, where the institution acting as clearing member is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the QCCP defaults. These exposures must be included in DPA 1307.	
1315	Memo Item: SFT exposures to QCCPs from client-cleared transactions – Counterparty exposure	The counterparty credit risk exposure related to exposures to QCCPs from client-cleared SFT transactions, where the institution acting as clearing member is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the QCCP defaults. These exposures must be included in DPA 1312.	

4. Off balance sheet items (OBS)

Off balance sheet items should be reported in subsection 1.4. These amounts are converted into LR exposures through the use of credit conversion factors (CCFs) where CCFs are expressed as percentages. Reporting institutions should populate the *Notional Amount* column and the *Exposure after CCF* column. The CCF column is protected as CCFs are prescribed in the Guideline. The following table provides a description of each DPA.

DPA	Description	Instructions	LR para reference
1401 1416	Unconditionally cancellable commitments – Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of commitments that are unconditionally cancellable at any time by the institution without prior notice or that effectively provide for automatic cancellation due to the deterioration in a borrower's creditworthiness.	40
1402 1417	Commitments with an original maturity of one year or less - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of commitments (other than securitization liquidity facilities) with an original maturity of one year or less. Unfunded mortgage commitments should only be included when the borrower has accepted the commitment extended by the institution and all conditions related to the commitments have been fully satisfied.	40
1403 1418	Commitments with an original maturity of over one year - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of commitments (other than securitization liquidity facilities) with an original maturity of greater than one year.	40
1404 1419	Eligible servicer cash advance facilities - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of eligible undrawn servicer cash advances or facilities that are unconditionally cancellable without prior notice as defined in paragraph 43 of Chapter 7 of the CAR Guideline.	47
1405 1420	Securitization liquidity facilities - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of liquidity facilities as defined in paragraph 43 of Chapter 7 of the CAR Guideline.	47

1406 1421	Other off balance sheet securitization exposures - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of all other off balance sheet securitization exposures as defined in paragraph 43 of Chapter 7 of the CAR Guideline.	47
1407 1422	Direct credit substitutes - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of direct credit substitutes (e.g. general guarantees of indebtedness (including standby letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances). SFT agent transactions should not be reported as direct credit substitutes. Instead they should be reported in DPAs 1301 and 1311.	41
1408 1423	Forward asset purchases - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of forward assets purchases defined as a commitment to purchase a loan, security, or other asset at a specified future date, usually on prearranged terms.	42
1409 1424	Forward forward deposits - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of forward/forward deposits defined as an agreement between two parties whereby one will pay and the other receive an agreed rate of interest on a deposit to be placed by one party with the other at some pre-determined date in the future.	42
1410 1425	Partly paid shares and securities - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of partly paid shares and securities defined as transactions where only a part of the issue or notional face value of a security purchased has been subscribed and the issuer may call for the outstanding balance (or a further installment), either on a date pre-determined at the time of the issue or an at unspecified future date.	42
1411 1426	Transaction-related contingent items - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of Transaction-related contingencies defined as guarantees that support particular performance of non-financial or commercial contracts or undertakings, rather than supporting customers' general financial obligations.	43
1412 1427	NIFs and RUFs - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of Note Issuance/Revolving Underwriting Facilities which are arrangements whereby a borrower may issue short-term notes, typically three to six months in maturity, up to a prescribed limit over an extended period of time, commonly by means of repeated offerings to a tender panel.	44
1413 1428	Short-term self-liquidating trade letters of credit - Notional Amount and Exposure after CCF	The notional amount, and exposure after CCF, of short-term self-liquidating trade-related items such as commercial and documentary letters of credit issued by the institution that are, or will be, collateralized by the institution.	45

1414 1429	Placeholder	These are placeholders for future use; "0" should be entered in this cell unless otherwise instructed by OSFI.	
1415	Total off balance sheet exposures – Notional Amount	The notional amount of all off balance sheet exposures. This amount should equal DPAs 1401+1402+1403+1404+1405+1406+1407+1408+1409+1410+1411+1412+1413+1414.	
1431	Total off balance sheet exposures – Exposure after CCF	The amount of all off balance sheet exposures after applying the applicable CCF. This amount should equal DPAs 1416+1417+1418+1419+1420+1421+1422+1423+1424+1425+1426+1427+1428+1429.	

5. Leverage Ratio and TLAC Leverage Ratio

The actual LR and its components are reported in Subsection 1.5. The institution's authorized LR as prescribed by OSFI should also be reported here.

DPA	Description	Instructions	LR para reference
1501	Total Exposures	End-of-quarter total exposures for purposes of the Leverage Ratio. This amount should equal DPAs 1118+1207+1309+1314+1431.	13
1502	Tier 1 Capital	End-of quarter Tier 1 capital of the institution measured on an all-in basis. This amount should equal DPA 1003 on the BCAR reporting form.	10
1503	Leverage Ratio (%)	The ratio of Tier 1 capital to Total Exposures based on end-of-quarter amounts. The LR should be reported to five decimal places. This amount should equal DPAs 1502÷1501×100.	5
1504	Authorized Leverage Ratio (%)	The authorized leverage ratio prescribed by OSFI for the institution.	6
1508	Target Leverage Ratio (%)	The institution's internal target leverage ratio.	
1505	TLAC Available	End-of-quarter TLAC Available of the institution. This amount should equal DPA 1195 on the BCAR reporting form.	
1506	TLAC Leverage Ratio (%)	The ratio of TLAC Available to Total Exposures based on end-of-quarter amounts. The TLAC Leverage Ratio should be reported to five decimal places. This amount should equal DPAs 1505 ÷1501×100.	
1507	Authorized TLAC Leverage Ratio (%)	This is equal to 6.75% as set out in OSFI's TLAC Guideline.	

6. Reconciliation to the accounting balance sheet

Subsection 1.6 includes a reconciliation of the amounts reported on the accounting balance sheet and the amounts reported for leverage requirements purposes.

DPA	Description	Instructions	LR para reference
1601	On balance sheet assets as per consolidated balance sheet for accounting purposes	Total on balance sheet assets of the consolidated entity reported for accounting purposes. All on-balance sheet amounts should be net of individual or collective allowances.	3
1602	Assets related to deconsolidated subsidiaries	Total on balance sheet assets of subsidiaries that are deconsolidated for regulatory reporting purposes.	3
1603	Investments in deconsolidated subsidiaries	The carrying value of the investments, typically accounted for under the equity method, in deconsolidated subsidiaries.	3
1604	Balances due from deconsolidated subsidiaries	Balances due from deconsolidated subsidiaries	3
1605	Placeholder	This is a placeholder for future use; “0” should be entered in this cell unless otherwise instructed by OSFI.	
1606	On balance sheet assets for purposes of the leverage ratio – Accounting value	Total on balance sheet assets based on the regulatory scope of consolidation. This amount should equal DPAs 1601-1602+1603+1604+1605.	3

Section 2 – Derivatives exposure calculation

1. Financial and credit derivatives

Subsection 2.1 is broken down in two panels. Panel A) covers derivatives not subject to an eligible netting contract whereas panel B) covers derivatives subject to an eligible netting contract.

Replacement cost, notional amounts and add-on amounts for credit derivatives and financial derivatives are reported in two distinct columns. Financial derivatives include Interest rate contracts, foreign exchange rate contracts, equity-linked contracts, precious metals, and other commodity contracts. Credit and financial derivative types are described in the following table:

Product Type	Description
Credit derivative contracts	Credit derivative contracts include total return swaps, credit default swaps and credit-linked notes.
Interest rate contracts	Interest rate contracts include single currency interest rate swaps, basis swaps, forward rate agreements and products with similar characteristics, interest rate futures, and interest rate options purchased.
Foreign exchange rate contracts	Foreign exchange rate contracts include gold contracts, cross-currency swaps, cross-currency interest rate swaps, outright forward foreign exchange contracts, currency futures and currency options purchased.
Equity-linked contracts	Equity-linked contracts include futures, forwards, swaps, purchased options, and similar contracts based on both individual equities as well as on equity indices.
Other commodity contracts	Other commodity contracts include futures, forwards, swaps, purchased options, similar derivatives contracts based on precious metals, energy contracts, agricultural contracts, base metals (e.g. aluminum, copper and zinc) and other non-precious metal commodity contracts.
Other Contracts	Other contracts (e.g. weather derivatives) includes futures, forwards, swaps, purchased options, similar derivatives contracts based on other underlying exposures.

Single derivative exposure not covered by an eligible netting contract
Replacement costs, where contracts have individual positive values, are reported in DPAs 2101 and 2104. Total contracts (DPA 2107) should equal the sum of gross reported amounts in DPAs 2101 and 2104.

For all product types, notional amounts should be reported in DPAs 2102 and 2105 and should include all single derivative contracts including contracts with a negative replacement cost.

The PFE is obtained according to section 4.1.6 of Chapter 4 of the Capital Adequacy Requirements (CAR) Guideline The PFE calculation for credit derivatives is broken-down in subsection 2.2 where the total of add-ons for protection bought, DPA 2205 and sold, DPA 2210 is then carried back to DPA 2103.

Single derivative exposure (DPA 2110) equals the sum of *Replacement cost – Total Contracts* and *PFE – Total Contracts* i.e. DPAs 2107 and 2109. This amount is then carried back to subsection 1.2, DPA 1201.

Derivative exposure covered by an eligible netting contract
Replacement cost in is calculated according to section 4.1.6.1 of chapter 4 of the CAR Guideline. Replacement cost for derivatives covered by an eligible master netting agreement should be reported in DPAs 2130 for credit derivatives and 2131 for financial derivatives.

Notional amounts of derivative exposure covered by an eligible netting contract should be reported in DPAs 2114 for credit derivatives and in DPA 2119 for financial derivatives. The notional amounts are used to calculate the A_{Gross} input of the net add-on formula.

The PFE is calculated according to section 4.1.6.2 of chapter 4 of the CAR Guideline and reported in DPAs 2115 and 2120. The PFE calculation for credit derivatives is detailed in subsection 2.2 with the resulting add-on amount reported in DPA 2115. DPA 2115 should equal the sum of DPAs 2215 and 2220.

The PFE for all contracts reported in DPA 2127 is the sum of the PFE for credit derivatives and financial derivatives found in DPAs 2115 and 2120 respectively.

Exposure for netted derivatives (DPA 2129) equals the sum of the replacement costs and the PFE i.e. DPAs 2125 and 2127. This amount is then carried back to subsection 1.2, DPA 1202.

2. Additional information and treatment for credit derivatives

Add-on calculation for all credit derivatives
Panel A breaks down the PFE calculations for single and netted credit derivatives. *Total PFE* for single derivatives is the sum of the total add-on for Protection Buyer, DPAs 2205 and Protection Seller, DPA 2210. The same applies to Derivatives eligible for netting i.e. DPAs 2215 and 2220. Total PFE for single derivatives and total PFE for derivatives eligible for netting should be carried back to DPAs 2103 & 2115 respectively.

To avoid overstating the exposure measure for credit derivatives, institutions may choose to deduct from the PFE the individual PFE amounts relating to written credit derivatives which are not already offset and whose notional amount is included in the LR exposure measure. Institutions should reflect this adjustment directly in panel A.

Cash instrument equivalency
The effective notional amounts referenced by written credit derivatives are reported in DPA 2221. *Net Notional exposure for written credit derivative* is the result of *Total written credit derivative – notional* minus the eligible offsets of DPAs 2222 & 2223. Any negative change in fair value amount that has been incorporated in the calculation of Tier 1 capital with respect to written credit derivatives may be offset against the notional amount for written credit derivative. The offset should be reported in DPA 2222. The effective notional amount of a purchased credit derivative on the same reference name may further reduce the notional amount; these amounts should be reported in DPA 2223. Further guidance is provided in paragraphs 26-30 of the Guideline. DPA 2224 is carried back to subsection 1.2, DPA 1206.

CHANGE CONTROL LOG			
Amendment Number	**Effective Reporting Date**	**Page Number**	**Description**
1	Q1 2016		NEW
2	Q1 2018	1	Delete: ♦ Reference to Section 431 of the Cooperative Retail Association Act under Statutory
		9	Change : ♦ Leverage Ratio to Leverage Ratio and TLAC Leverage Ratio Add: ♦ Instructions under 1505, 1506 and 1507
3	Q1 2019	1	Change : ♦ Instructions under Contact person
		3	Change: ♦ Instructions under DPA 1101 Delete: ♦ DPA line 1111
		3-8	Change: ♦ LR paragraph references updated
		4	Change: ♦ Instructions under DPA 1106-1107
		7	Change: ♦ Description and instructions under DPA 1405-1420
		9	Add: ♦ DPA 1508
		10	Delete: ♦ Precious metals Change: ♦ Description under Other commodity contracts Add: ♦ Other Contracts
		11-12	Change: ♦ Instructions under Single derivative exposure not covered by an eligible netting contract ♦ Instructions under Derivative exposure covered by an eligible netting contract ♦ Instructions under Add-on calculation for all credit derivatives ♦ LR paragraph reference under Cash instrument equivalency