129 BASEL III LEVERAGE RATIO FRAMEWORK

a. *Minimum requirement.* The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage:

$$\textbf{Basel III Leverage Ratio} = \frac{\text{Capital Measure (Tier 1 Capital)}}{\text{Exposure Measure}}$$

The leverage ratio shall not be less than five percent (5%) computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The guidelines implementing the Basel III Leverage Ratio framework are provided in *Appendix 116*. The guidelines shall apply to UBs and KBs and their subsidiary banks/QBs.

Starting 31 December 2014 and every quarter thereafter until 30 June 2018, banks concerned shall submit the Basel III Leverage Ratio reporting template, including required disclosure templates, on both solo and consolidated bases for monitoring purposes. The report submission is summarized below:

Report Date	Reference Date	Deadline of Submission
30 September 2017 31 December 2017	31 December 2017	Fifteen (15) banking days from end of reference date on solo basis, and Thirty (30) banking days from end of reference date on consolidated basis
31 March 2018	31 March 2018	
30 June 2018	30 June 2018	

During the monitoring period, public disclosure of information relative to leverage ratio shall not be required.

The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018. Upon migration to a Pillar 1 requirement, the Basel III Leverage Ratio report shall be submitted quarterly along with Basel III CAR report on both solo and consolidated bases. The mandatory disclosure requirements provided under *Appendix 116* shall be published in the quarterly published balance sheet as well as in the annual reports or published financial reports (e.g., audited financial statements).

b. *Sanctions*. Banks shall not be penalized on any breach on the five percent (5%) minimum leverage ratio during the monitoring period. However, erroneous, delayed, erroneous and delayed, or unsubmitted reports of banks shall be subject to penalties provided under Sec. 171 *(Sanctions on Reports for Non-compliance with the Reporting Standards)*. The reports shall be classified as *Category A-1* report.

(Circular Nos. 990 dated 22 January 2018, 963 dated 27 June 2017, 943 dated 26 January 2017 and 881 dated 09 June 2015 and M-2015-026 dated 16 July 2015)