# FORM CE

## UK-OWNED MONETARY FINANCIAL INSTITUTIONS' COUNTRY EXPOSURE

### GENERAL

The General Notes and Definitions, Classification of Accounts Guide and the definitions for other forms, particularly Forms BT and CC, apply to Form CE (except where specific exceptions are made).

Form CE relates to worldwide operations of UK-owned monetary financial institutions (MFIs), thereby including offices and subsidiaries **outside** and **inside** the UK. The data should be reported on a **consolidated** basis, with intra-group positions within the consolidation perimeter netted out. Details are requested for data on an **immediate borrower basis**, i.e. allocated to the country where the original risk lies, and for **risk transfers**, to show where the ultimate risk lies (see risk transfer section below).

Data are requested for three principle breakdowns: country, sector and maturity. While a country breakdown is required for all items, a sector breakdown is requested for columns 1, 2 and 4 (see analysis by sector section below), and the associated risk transfer columns (6.11 to 7.32). A maturity breakdown down is requested for column 1 plus column 2 (see analysis by asset type and maturity section below).

In addition, reporters should report their total equity and an instrument breakdown for their liabilities (without a counterparty-country and sector breakdown) in Section B.

Reporting institutions **may, if they wish,** exclude from the maturity analysis (columns 3.3 to 3.9) individual claims of less than the equivalent of £250,000. The total of such unanalyzed claims should be included in column 3.10 to the nearest £1million.

For the analysis of risk transfers and the analysis by sector of commitments, reporting institutions **may, if they wish**, exclude individual accounts below certain sizes:

Reporting institutions with capital and reserves of **£50million or more** before consolidation may exclude items of less than £100,000;

Reporting institutions with capital and reserves of **less than £50million** may exclude items of less than £50,000.

### ROUNDING

All entries should be rounded to the **nearest £1 million**.

For each country, the entries in columns 1, 2 and 4 should be the true totals for the columns. The entries in columns 1.1 to 1.3, 2.1 to 2.3, and 4.1 to 4.3 should sum to them as appropriate.

In addition, for each country, the entries for the additional sector breakdown of 'other' in columns 1.3A to 1.3D, 2.3A to 2.3D, 4.3A to 4.3D should be equal to the totals for the respective columns.

For each column, the grand total in the first line ("total of all customers") should equal the sum of the column entries. For more information on this, see the Internal Validations for Form CE.

## WHO SHOULD REPORT?

Reporting institutions should complete a return at the top level of the group. The reporting criteria are as required by the Bank of England, based on institution/group external business.

Parent institutions should report the activities of the whole group.

## CONSOLIDATION

The return should cover the activities of all offices and certain subsidiaries (see definition below) of the reporting institution, whether within or outside the UK. **However, intra-group claims and liabilities arising between related group entities covered by the report should be excluded.**

Where an institution's local offices and subsidiaries in a particular foreign country have total claims in that country (in all currencies, including the local currency) of **less than the equivalent of £5 million**, those claims may be excluded from the return.

A subsidiary of a reporting institution is either:

- a company in which the institution holds **more than half** of the nominal value of the total ordinary share capital; or
- a company in which, although its shareholding is less than 50%, the reporting institution **controls the composition of the board of directors**.

The return should consolidate all UK and foreign related group entities whose business is financial and whose **prime function is to grant credit** or whose assets are largely of types that fall to be reported in columns 1, 2 or 4 (see below). This includes subsidiaries involved in:

- deposit-taking;
- hire-purchase;
- factoring;
- bank-funded "warehousing";
- leasing;
- trading in financial markets; and
- those which trade in or underwrite securities.

**Added o/a Stats Notice 2013/09**

Entities such as special purpose entities (SPEs), special purpose vehicles (SPVs) should be consolidated by the reporting institution on Form CE, if those entities are consolidated under their supervisory/regulatory reporting.

Insurance broking and similar companies should be **excluded.**

Where the reporting institution is a subsidiary of a **UK holding company** (see the Classification of Accounts Guide Section III.3 Part 9 (i) (b)), UK and foreign related companies of the type described above should be included in the return, unless they both complete Form CE in their own right. In certain cases the Bank of England may, after consultation with the institutions concerned, seek information in respect of minority holdings where circumstances suggest that the resulting obligations could be material.

Reporting institutions should maintain an up to date list of the names and countries of location of all UK and foreign subsidiaries and related companies that have been consolidated in the return. This will normally be required on an annual basis by the Bank of England.

**TYPE OF ASSETS TO BE INCLUDED**

Below is a list of the assets which should be included **throughout** Form CE:

- **loans and advances** to, and balances;
- amounts receivable under **finance leases**;
- claims under **sale and repurchase** agreements;
- **commercial bills** drawn;
- **certificates of deposit, promissory notes and other negotiable paper**;
- lending under **ECGD guarantee**;
- **portfolio investments** (including dealing portfolios) in securities issued by governments, institutions (e.g. IBRD) and corporate bodies registered inside and outside the UK, other than investments in the equity of the reporting institution's own subsidiaries and associates inside and outside the UK. Holdings of securities also include **credit-linked notes** and other **collateralised debt** obligations and **asset-backed securities;** and
- sterling and other currency **acceptances** given under facilities opened.

In general, if **derivatives** are booked as on-balance sheet items, they should **not** be included in columns 1 to 7.32, or 9 to 10, but recorded in columns 8 to 8.2. However, credit derivatives used for risk mitigation should be included as risk transfers (see the derivatives and risk transfers sections below).

## COUNTRY CLASSIFICATION ON IMMEDIATE BORROWER BASIS

Columns 1 to 5 and 9, 10, require data on an **immediate borrower basis,** therefore:

- **Loans and advances** and **bills** should be entered against the country of residence of the direct borrower (or drawee).
- Amounts due under **sale and repurchase agreements** should be reported against the country of residence of the counterparty and **not** risk transferred to the country of the issuer of the security.
- **Finance leases** should be reported against the country of residence of the lessee.
- **Certificates of deposit, notes, negotiable paper and securities** should be entered against the country of residence of the issuer.
- **Lending under ECGD guarantee** should be reported against the country of residence of the buyer.
- **Acceptances** should be reported against the country of residence of the institution or person on whose behalf the facility was opened.

## VALUATION

Financial claims in the form of loans and receivables originated by the reporting institution (and not held for trading) as well as 'held to maturity investments' should be valued at face value or **amortised** cost price, while 'available for sale' financial assets and financial assets held for trading should be valued at market or fair values. This is largely consistent with the International Accounting Standards (IAS 39).

Financial claims resulting from **derivative contracts** should be valued at market prices or fair values (i.e. current credit exposure calculated as the sum of all **positive** market values or fair values of derivative contracts outstanding after taking account of legally enforceable bilateral netting agreements) as this ensures consistency with the concept of 'current credit exposure' in the BIS OTC derivatives statistics. **Negative market values of derivative contracts are considered to represent financial liabilities and are therefore by definition excluded from the reporting of financial claims.**

Derivatives with a negative market value should be reported within Derivative Liabilities (15.3) as part of the instrument breakdown of liabilities.

Contingent liabilities resulting from **guarantees and credit commitments** should be valued at face value or the maximum possible exposure. This includes sales of credit default swaps that fall under guarantees which should be reported at face value rather than mark to market.

Until they are written off, **interest in arrears** on financial claims and **principal in arrears** (including capitalised interest) should be included in the data on financial claims.

Financial claims against which **provisions** have been made are normally reported as foreign assets at their gross value. However, accounting rules may require in certain instances that these claims be reported on a net basis if there is an identified loss. Both reporting conventions are therefore possible.

Although an asset which has been **written off** may still be a legally enforceable claim, these should be excluded from the reported data as the process of writing-off can be seen as reflecting the judgment that the current or prospective price of the claim is zero (see write-offs section below). The same reporting convention should be followed for reductions in claims due to debt forgiveness, i.e. cancellations of claims via contractual arrangements between debtors and creditors.

The **net** position of **portfolio investments** (including dealing portfolios) should be reported. Where this netting results in a net short position, this should be deducted from any other claims in the column. If this results in a negative figure, it should be reported as such.

When the reporting institution acts as **manager or co-manager** of a loan **financed by more than one institution**, it should report only that part of the loan which it retains (i.e. its own participation). The reporting institution should not include other participants' shares of the amount to be lent. A reporting institution which buys all or part of a loan from another financial institution should report its holding as an advance to the borrower, and not as lending to the institution from which it has purchased the loan.

**BREAKDOWN BY AREA OF BUSINESS**

The form collects data for three main areas of business:

**1) Total cross-border claims. (columns 1 to 1.3)**

Types of business to be included:

- **External claims of UK offices in sterling or other currencies**
    - For example, a claim, in any currency, of the London branch of the reporting institution on a borrower resident in France.
- **Cross-border claims of non-UK offices, in local and non-local currency**
    - For example, a claim, in any currency, of the Paris branch of the reporting institution on a borrower resident in the United States.

**2) Claims of non-UK offices and UK offices in non-local currencies on local residents. (columns 2 to 2.3)**

- For example, a US dollar claim of the Paris branch of the reporting institution on a borrower resident in France.

**3) Claims and liabilities of non-UK offices and UK offices in local currencies on local residents. (columns 4 to 5)**

- For example, a euro claim of the Paris branch of the reporting institution on a borrower resident in France, or
- a euro deposit of a French resident with a Paris branch of the reporting institution.

Columns **9 and 10** cover commitments which, if drawn, will result in claims on the reporting entity.

**ANALYSIS BY COUNTRY**

Brass-plate companies do not have an operational presence within a country, but merely have an address there. Business with such entities should be reported on an immediate borrower basis against the country where the underlying business is operating, and not the country in which the brass-plate is based. For example, if a French company sets up a brass-plate in the Cayman Islands, business with this brass-plate should be recorded against France and not the Cayman Islands. This does not alter the treatment of subsequent risk transfers.

**Added o/a Stats Notice 2013/09**

In instances where it is not possible for reporting institutions to identify a specific counterparty country, or in instances where there are multiple underlying countries (such as a multi-country index credit default swap or a multi-country asset backed security), these items can be reported under unallocated by country.

**ANALYSIS BY SECTOR (columns 1.1 to 1.3D, 2.1 to 2.3D, 4.1 to 4.3D and 6.11 to 7.32D)**

Where requested, assets should be separately identified for deposit-taking corporations, public sector and 'other' sectors.

In addition, a further breakdown of the 'other' sector should be provided into the following sectors: other financial corporations; non-financial corporations; households (including NPISH) and unallocated. For information on the type of entities to be allocated to each sector please see the Classification of Accounts Guide Section III.10.

Where possible, the definition used by the country where the counterparty resides should be applied to determine which sector the counterparty should be reported under.

The **public sector** comprises all central and local government agencies and institutions (including governments of states and provinces within a federation, union or commonwealth which constitute a country), central monetary institutions and all other state-owned and local government agencies. However, **state-owned deposit-taking corporations** other than central monetary institutions should be classified as **deposit-taking corporations.** Publicly owned enterprises other than **deposit-taking corporations** should be allocated to **other non-residents/local residents** and then reported under the appropriate further sector breakdown where identifiable or under unallocated.

Lending under ECGD guarantee to deposit-taking corporations other than central monetary institutions should be classified as '**other' sector** and then reported under the appropriate further sector breakdown of 'other' where identifiable or under unallocated.

International organisations should be classified as **public sector** (see the Classification of Accounts Guide Section III.10). The Bank for International Settlements (BIS) and European Central Bank (ECB) should be classified as **public sector** institutions resident in Switzerland and Germany respectively.

**Added o/a Stats Notice 2013/09**

In instances where it is not possible for reporting institutions to identify a specific counterparty sector, items can be reported under unallocated by sector.

**ANALYSIS BY ASSET TYPE AND MATURITY (columns 3.1 to 3.10)**

Columns 3.1 to 3.10 provide an asset and maturity breakdown of column 1 and column 2 added together.

**Portfolio investments** should be entered in to Columns 3.1 and 3.2, and all other assets broken down by maturity within columns 3.3 to 3.10. Therefore, the sum of columns 3.1 to 3.10 should equal the amount entered in column 1 plus the amount entered in column 2 (see Internal Validations for Form CE).

**Column 3.1** covers all portfolio holdings of securities issued by non-residents & residents (including dealing portfolios) included in columns 1 and 2, **other than** shares and other equity which should be reported in **column 3.2**. Preference shares and irredeemable securities (such as floating rate notes) should be included in column 3.1.

For any particular box in columns 3.1 and 3.2, long and short positions in investments should be offset and the **net long or short position** reported. Net short positions should be reported as negatives.

**Loans** are to be entered according to their **remaining maturities**. For fixed-term loans, purely technical break facilities should be disregarded. Where a reporting institution has loans outstanding at the reporting date under revolving credit lines and has not yet received notification that they will be renewed upon maturity, these loans should be entered according to their immediate maturities. Where the reporting institution has been notified the loan will be routinely renewed on maturity, this should be entered according to the end dates of the credit facilities.

Finance leases should be entered according to their **remaining term**.

Where the borrower has notified the reporting institution that funds will be repaid on a **specific date** in advance of final maturity, the specific date should be taken as the maturity date.

Where a loan is repayable in installments, the amounts should be reported in accordance with the maturity pattern of the outstanding installments.

If a claim, or part of it, has passed the due date for repayment by 14 days or more (or in the case of lending under ECGD guarantee by 30 days or more), then the amount of principal which is in arrears should be entered in the **overdue** column (**column 3.3**). Only that part of a loan or other asset actually overdue, and not any unmatured installments, should be reported in the **overdue** column, unless the whole of the loan or asset has been formally declared to be in default within the terms of the contract.

Claims (other than overdrafts) having passed the due date by less than 14 days (less than 30 days for lending under ECGD guarantee) should be entered under **6 months or less** (**column 3.4**).

Similarly, overdrafts (authorised or unauthorised) should be reported as overdue only if repayment was formally requested for a date at least 14 days before the reporting date. An overdraft (or part of it) for which repayment has not been formally requested, or was requested for a date less than 14 days before the reporting date (or was requested for a date on or after the reporting date) should be entered in total unanalysed claims (**column 3.10**).

Amounts overdue on secured loans should be included, unless the collateral has been realised.

Include amounts owed under sale and repurchase agreements where the counterparty has failed to repurchase the securities by the agreed date unless the reporting institution has subsequently sold the securities to realise its collateral.

Enter amounts overdue without regard to whether a specific provision for a bad or doubtful debt has been made and without regard to whether the delay in payment is caused by reasons outside the control of the debtor.

If an overdue amount is subsequently rescheduled, or if a claim under an ECGD guarantee or on any other guarantor for repayment of an overdue amount has been made, that amount should be excluded from the **overdue** column and reclassified by maturity, according to when the lending institution expects to be reimbursed.

Reporting institutions may, if they wish, exclude from the **overdue** column amounts overdue on individual claims where the total amount outstanding is less than the equivalent of £250,000. Such excluded amounts should be entered in **column 3.10**.

**RISK TRANSFERS (columns 6.11 to 7.32D, 8.1, 8.2, 9.1, 9.2, 10.1 and 10.2)**

***Detailed examples for the reporting of risk transfers are included at the end of these reporting guidelines.***

Risk transfers should identify any reallocation of risk from the country (and/or sector) of the immediate borrower, to the country (and/or sector) of **ultimate risk**. This risk reallocation should include any transfer between sector, both within the country itself and when transferring to another country.

Where the underlying risk in a claim included in **column 1** is ultimately attributable to a country (and/or sector) other than that against which it has been entered against in **column 1**, a risk transfer of the claim should, generally, be shown in **columns 6.11 to 6.32D**. Likewise, where the underlying risk in a claim included in **column 2 or column 4** is ultimately attributable to a country (and/or sector) other than that against which it has been entered against in these columns, a risk transfer of the claim should, generally, be shown in **columns 7.11 to 7.32D**. However, should the nature of the claim change from being a cross-border claim (column 1) to a claim on a local resident (**column 2 or 4**) or visa-versa, then the risk transfer would be shown as an outward risk transfer in **columns 6.11 to 6.31D** and an inward risk transfer in **columns 7.12 to 7.32D**, respectively (see the examples contained in the annex).

Where the underlying risk in a claim included in **column 8** is attributable to a country (and/or sector) other than that against which it has been entered against in this column, a risk transfer of the claim should be shown in **columns 8.1 and 8.2**.

Also, where the underlying risk in a claim included in **column 9** is attributable to a country (and/or sector) other than that against which it has been entered against in this column, a risk transfer of the claim should be shown in **columns 9.1 and 9.2**.

Where the underlying risk in a claim included in **column 10** is attributable to a country (and/or sector) other than that against which it has been entered against in this column, a risk transfer of the claim should be shown in **columns 10.1 and 10.2**.

Inward and outward risk transfers should always be equal at a total level across all countries (to include unallocated by country and International organisations) and the three ‘core’ sectors of deposit-taking corporation, public sector and other non-residents.

If deposits or cash are used as collateral, the cash collateral holder is the reporting itself and as a result an inward risk transfer to the UK (deposit-taking corporation sector) should be reported.

**When to report a risk transfer**

A risk transfer should be reported where:

(a) the immediate borrower or lessee is a **branch** of a deposit-taking corporation or company whose head office (or parent) is located in a **different country and/or sector**; or

(b) there is a **formal, legal and irrevocable** guarantee to repay the claim if the original borrower or lessee fails to do so, from an entity in a **different country and/or sector**; or

(c) collateral (being on Form CE, everything considered **eligible collateral** under Basel II – generally, tangible securities i.e. cash, debt securities, equities and real estate) is provided to offset the risk that the original borrower or lessee fails to repay, from an entity in a **different country and/or sector**; or

(d) credit derivatives have been used to cover for the counterparty risk of financial claims in the **banking book**, where the counterparty to the credit derivative is in a **different country and/or sector**.

Example (a) above only applies to claims on a **branch** of a deposit-taking corporation or company whose head office is located in a different country and/or sector and **not to claims on a subsidiary**. However, a risk transfer should be made in respect of a claim on a **subsidiary** where a guarantee is in place which satisfies paragraph (b).

**A basic example** would involve a loan from the UK office (in any currency) to a French branch of a US deposit-taking corporation. This should be reported as:

- a claim against France in columns 1 and 1.1;
- an outward risk transfer from France in column 6.11; and
- an inward risk transfer to USA in column 6.12.

Another basic example is for a **sector transfer**. For instance, the French office of the reporting institution makes a euro loan to a non-financial corporation in France, which is backed by an explicit guarantee from a French deposit-taking corporation. This should be reported as:

- a claim against France in columns 4 and 4.3/B;
- an outward risk transfer from France in column 7.31/B; and
- an inward risk transfer to France in column 7.12.

**However, within risk transfers the nature of the claim can also change from a cross-border claim to a local claim**. To take an example:

A claim, in any currency, of a French office of the reporting institution on the US branch of a French deposit-taking corporation should be reported as:

- a claim against the US in columns 1 and 1.1;
- an outward risk transfer from the US in column 6.11; and
- an inward risk transfer to France in column 7.12.

**This can also occur the other way around.** A claim, in any currency, of a French office of the reporting institution on the French branch of a US deposit-taking corporation should be reported as:

- a claim against France in columns 2 and 2.1 (for foreign currency) or 4 and 4.1 (for local currency);
- an outward risk transfer from France in column 7.11; and
- an inward risk transfer to the US in column 6.12.

An additional change of sector within the above example (e.g. if the original claim was on a non-bank financial corporation subsidiary of a US deposit-taking corporation in France, which had an explicit guarantee from its parent) would simply require the risk transfer to change sector when going from outward to inward risk, as well as changing the type of claim. For example, reported against France in column 2.3 and 2.3A with an outward risk transfer from France on column 7.31 and 7.31A, and an inward risk transfer to the US in column 6.12.

**Risk transferring cash collateral**

**Amended o/a Stats Notice 2013/09**

Generally, collateral should be reported as outlined above with respect to risk transfer. If deposits or cash are used as collateral, the cash collateral holder is the reporting institution itself and as a result, an inward risk transfer to the UK (deposit-taking corporations sector) should be reported.

~~A basic example would involve a loan from the UK office to a Japanese bank in Japan. Cash collateral in the form of deposits or cash is provided by either the bank itself or by a third party. This should be reported as:~~

- ~~a claim against Japan in columns 1 and 1.1; and~~
- ~~an outward risk transfer from Japan in column 6.11;~~
- ~~an inward risk transfer to the UK in column 6.12~~

In any instance where a **UK resident** entity has a cross-border claim or local claim and receives deposits or cash, then the risk transfer of the cash collateral should be reported as an inward **local** risk transfer to the UK (deposit-taking corporations sector).

In any instance where a **non-UK resident** entity has a cross-border claim or a local claim and receives deposits or cash, then the risk transfer of the cash collateral should be reported as an inward **cross-border** risk transfer to the UK (deposit-taking corporations sector).

As illustrated above, the determining factor for the classification of the inward risk transfer to the UK is the location of the entity that has the original claim.

**Risk transferring fixed assets (such as real estate)**

**Amended o/a Stats Notice 2014/03**

If the collateral provided is in the form of fixed assets, then a country risk transfer should be reported if the fixed assets are located in a different country to the original claim. ~~However, sector risk transfers should not be reported for fixed assets~~. Sector risk transfers should be reported for fixed assets and should be reported to the most appropriate sector. This is particularly relevant for the reporting of claims on the household sector that are guaranteed by fixed assets (Examples 16 and 17 provide further guidance on reporting these items).

**Reporting vis-à-vis the UK**

The country line for the **UK** should be completed for all items on the form. For example, a claim of the UK office of the reporting institution on the UK branch of a French deposit-taking corporation should be reported as:

- a claim against the UK in columns 2 or 4;
- an outward risk transfer from the UK in column 7.11; and
- an inward risk transfer to France in column 6.12.

**Similarly**, a claim of a French branch of the UK office of the reporting institution on the UK branch of a French deposit-taking corporation should be reported as:

- a claim against the UK in column 1;
- an outward risk transfer from the UK in column 6.11; and
- an inward risk transfer to France in column 7.12

Again, an additional change of sector within the above example would simply require the risk transfer to change sector when going from outward to inward risk, as well as changing the type of claim.

Lending under ECGD guarantee and refinanced lending should be entered as a claim on the buyer's country in column 1, column 1.2 or 1.3. The risk transfer should then be shown out of that country in columns 6.21 or 6.31, with the risk then being shown as an inward risk transfer into the UK in column 7.22.

Amounts due under a sale and repurchase agreement should be reported as a claim on the country of the counterparty and **not** risk transferred to the country of the issuer of the security.

**Amended o/a Stats Notice 2013/09**

In the case of holdings of credit-linked notes and other collateralised debt obligations and asset-backed securities (within option (d) on page 9), a "look-through" approach should be used, with the country and sector of ultimate risk being that in which the debtor of the underlying credit, security or derivative contract resides. However, it is recognised that this approach may not always be possible. Therefore, estimates for the allocation of claims to the country and sector where the debtor of the underlying credit resides are acceptable. Should this also prove difficult, ~~the country and sector of the issuer of the security should be used~~ these items can be reported under unallocated by country and sector.

In most cases covered by a) to d) on page 8, the amount of the claim should be shown as an **outward risk transfer** against the country of residence and sector of the immediate borrower or lessee; and as an **inward risk transfer** against the country of residence and sector of the person or institution ultimately responsible for repayment of the claim if the original borrower fails to do so.

However, within d), the issuer (or protection buyer) of credit-linked notes and other collateralised debt obligations and asset-backed securities should regard the issuance of a security backed by financial claims and sale to investors as a cash collateral which therefore extinguishes the exposure of the issuer to the underling claim. Therefore, an outward risk transfer and an inward risk transfer to the UK should be shown as the receipt of cash collateral extinguishes the exposure to the original claim.

***Detailed examples for the reporting of risk transfers are included at the end of these reporting guidelines.***

**DERIVATIVES CONTRACTS (columns 8 to 8.2)**

Data should be provided on all cross-border and local resident financial claims (i.e. positive market values only) resulting from derivatives contracts of all their offices worldwide, independent of whether the derivative contract is booked as off- or on-balance sheet.

Reported data should cover all derivative contracts reported in the context of the BIS regular OTC derivatives statistics. This will mainly cover: forwards, swaps and options relating to foreign exchange, interest rate, equity, commodity and credit derivative contracts. However, **credit derivative contracts**, such as credit default swaps and total return swaps, should only be reported if they belong to the **trading book** of the protection buying reporting institution.

**Credit derivatives** that belong to the **banking book** should be reported as risk transfer in **columns 6.11 to 7.32D** (see risk transfer section above), while all credit derivatives of the protection seller should be reported as guarantees (see guarantees section below).

Derivatives contracts should be reported on an **immediate borrower** basis within **column 8**, and any risk transfers should be shown in **columns 8.1 and 8.2**, see the risk transfer section above for further guidance.

Include the current **marked to market value** of all derivative instruments (including OTC and exchange traded contracts) which are part of the reporting institution's **trading book**.

Reporting institutions which do not complete Form DQ and cannot easily allocate amounts to a specific country may include them under **unallocated by country**.

**UNUSED EXTERNAL COMMITMENTS (columns 9 to 10.2)**

Institutions should report in **columns 9 to 10.2** the unutilised portions of both binding contractual obligations and those commitments which they would regard themselves as obliged to honour whatever the circumstances. Include only those commitments that if utilised would qualify for inclusion in **columns 1, 2 or 4**.

Performance bonds and other forms of guarantees should only be reported if, in the event of the contingency occurring, the resulting claim would have an impact on total cross-border claims and local claims of foreign offices in any currency.

**Guarantees**

Guarantees are contingent liabilities arising from an irrevocable obligation to pay to a third-party beneficiary when a client fails to perform some contractual obligation. They include secured, bid and performance bonds, warranties and indemnities, confirmed documentary credits, irrevocable and standby letters of credit, acceptances and endorsements. Guarantees also include the contingent liabilities of the protection seller of credit derivative contracts.

All credit default swaps (CDS) sold should be reported at gross (not net) notional values, but net of cash collateral, under 'guarantees' within **column 9**, vis-à-vis the country of the underlying reference entity, where the ultimate risk lies.

Cash collateral (as defined by the Bank for International Settlements) refers to collateral consisting of cash, negotiable instruments (e.g. negotiable securities), documents of title, deposit accounts, or other cash equivalents. It includes any negotiable assets that may be converted into liquid assets if necessary.

No risk transfers should be reported for CDS sold.

**Guarantees extended which are not in the form of CDS sold,** should be reported on an **immediate borrower** basis within **column 9**, and any risk transfers should be shown in **columns 9.1** and **9.2**, see the risk transfer section above for further guidance.

**Other Credit Commitments**

Other credit commitments are arrangements that irrevocably obligate an institution, at a client's request, to extend credit in the form of loans, participation in loans, lease financing receivables, mortgages, overdrafts or other loan substitutes or commitments to extend credit in the form of the purchase of loans, securities or other assets, such as backup facilities including those under note issuance facilities (NIFs) and revolving underwriting facilities (RUFs).

Other credit commitments should be reported on an **immediate borrower** basis within **column 10**, and any risk transfers should be shown in **columns 10.1 and 10.2**, see the risk transfer section above for further guidance.

## SECTION B: CONSOLIDATED LIABILITIES (items 13 to 15)

The instrument breakdown below is requested for positions vis-à-vis all countries (including the UK) and all sectors, and in all currencies and all maturity buckets (with the exception noted about the maturity structure of debt securities liabilities). Data on some liability instruments, particularly those classified in "other liabilities" may not be available with the same frequency or under the same reporting conditions as other items. For instruments not available, reporting institutions are encouraged to provide estimated data or the same figures as that of the previous period.

**Added o/a Stats Notice 2013/09**

The definitions of items in Section B, and their reporting basis can both be based on supervisory definitions.

### TOTAL EQUITY (13)

Total equity should ideally be calculated according to accounting principles (see e.g. IAS 32.11 and 32.16). But, it may also be reported as a residual of total assets minus total liabilities.

### TIER 1 CAPITAL (14)

The definition of Tier 1 capital is the supervisory definition. Reporting banks are encouraged to report these data at a quarterly frequency; otherwise semi-annually.

### TOTAL LIABILITIES (15)

Total liabilities should equal the sum of deposits, debt securities, derivatives and other liabilities.

### DEPOSITS (15.1)

**Added o/a Stats Notice 2014/03**

Deposits including non-negotiable securities (e.g. non-negotiable CDs), and borrowings (i.e. loans) from deposit-taking corporations. Intra-group positions should be excluded. Deposits should include liabilities under sale and repurchase agreements.

### DEBT SECURITIES ISSUED (15.2)

Negotiable securities (including negotiable CDs).

### DEBT SECURITIES ISSUED: OF WHICH REMAINING MATURITY UP TO 12 MONTHS (15.2A)

Negotiable securities (including negotiable CDs) with a remaining maturity up to and including one year.

### DERIVATIVES (15.3)

Derivatives instruments with a negative market value.

### OTHER LIABILITIES (15.4)

Retained earnings (with positive value) and debt liabilities not included under the funding instruments listed above. Other liabilities include 'unallocated' liabilities.

***Examples for reporting of individual transactions***

| ***A. Loans and deposits*** | **Immediate borrower reporting** | | | **Risk Transfer Reporting** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | **Outward Risk Transfer** | | | **Inward Risk Transfer** | | |
| | **Type of claim** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** |
| 1. You have extended a loan from the UK office to an insurance company in Japan which is backed by a guarantee from a deposit-taking corporation in the US. | Cross-border (column 1) | Other<br>Other financial corporations<br>(column 1.3/A) | Japan | Cross-border | Other<br>Other financial corporations<br>(column 6.31/A) | Japan | Cross-border | Deposit-taking corporation<br>(column 6.12) | United States |
| 2. You have extended a sterling loan from the UK office to an insurance company in Japan which is backed by a guarantee from a deposit-taking corporation in the UK. | Cross-border (column 1) | Other<br>Other financial corporations<br>(column 1.3/A) | Japan | Cross-border | Other<br>Other financial corporations<br>(column 6.31/A) | Japan | Local currency with local resident | Deposit-taking corporation (column 7.12) | United Kingdom |
| 3. You have placed a deposit with a branch of a Japanese deposit-taking corporation in the US. | Cross-border (column 1) | Deposit-taking corporation (column 1.1) | United States | Cross-border | Deposit-taking corporation<br>(column 6.11) | United States | Cross-border | Deposit-taking corporation (column 6.12) | Japan |
| 4. You have entered a sale and repurchase agreement with a deposit-taking corporation in Japan. You receive US securities. | Cross-border (column 1) | Deposit-taking corporation (column 1.1) | Japan | None | None | None | None | None | None |

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| 5. | You have entered a sale and repurchase agreement with a branch of a Japanese deposit-taking corporation in Germany. You receive US securities. | Cross-border (column 1) | Deposit-taking corporation (column 1.1) | Germany | Cross-border | Deposit-taking corporation (column 6.11) | Germany | Cross-border | Deposit-taking corporation (column 6.12) | Japan |
| 6. | You have extended a loan to a non-financial corporation in Japan. The corporate has provided US government securities as collateral. | Cross-border (column 1) | Other Non financial corporations (column 1.3/B) | Japan | Cross-border | Other Non-financial corporation (column 6.31/B) | Japan | Cross-border | Public Sector (Column 6.22) | United States |
| 7. | You have extended a loan to an insurance company in the US. The corporate has provided cash as collateral. | Cross-border (column 1) | Other Other financial corporations (column 1.3/A) | United States | Cross-border | Other Other financial corporations (column 6.31/A) | United States | Cross-border | Deposit-taking corporation (column 6.12) | United Kingdom |
| 8. | You have extended a loan to an insurance company in Japan. In order to hedge the counterparty risk, you have bought a credit derivative issued by a deposit-taking corporation in the US. | Cross-border (column 1) | Other Other financial corporations (column 1.3/A) | Japan | Cross-border | Other Other financial corporations (column 6.31/A) | Japan | Cross-border | Deposit-taking corporations (column 6.12) | United States |
| 9. | Your subsidiary in Japan has a deposit in local currency (yen) with a branch of a US deposit-taking corporation in Japan. | Local currency with local resident (column 4) | Deposit-taking corporations (column 4.1) | Japan | Local currency with local resident | Deposit-taking corporations (column 7.11) | Japan | Cross-border | Deposit-taking corporations (column 6.12) | United States |

| | A. Loans and deposits (continued) | Immediate borrower reporting | | | Risk Transfer Reporting | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward Risk Transfer | | | Inward Risk Transfer | | |
| | | **Type of claims** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** |
| **Amended o/a Stats Notice 2013/09** | 10. Your subsidiary in Japan has extended a foreign currency loan to an insurance company in Japan. The corporate has provided UK treasuries as collateral. | Non-local currency with local resident (column 2) | Other<br>Other financial corporations (column 2.3/A) | Japan | Non-local currency with local resident | Other<br>Other financial corporations (column 7.31/A) | Japan | Cross-border<br>~~Non-local currency with local resident~~ | Public Sector (Column 6.22)<br>~~(Column 7.22)~~ | United Kingdom |
| | 11. Your subsidiary in Japan has extended a yen loan to an insurance company-in the US guaranteed by a deposit-taking corporation in Japan. | Cross-border (column 1) | Other<br>Other financial corporations (column 1.3/A) | United States | Cross-border | Other<br>Other financial corporations (column 6.31/A) | United States | Local currency with local resident | Deposit-taking corporations (column 7.12) | Japan |
| **Amended o/a Stats Notice 2013/09** | 12. Your branch in Japan has a yen deposit with a branch of a Japanese deposit-taking corporation in the UK. | Cross-border (column 1)<br>~~Non-local currency with local resident (column 2)~~ | Deposit-taking corporations (column 1.1)<br>~~(column 2.1)~~ | United Kingdom | Cross-border | Deposit-taking corporations (column 6.11) | United Kingdom | Local currency with local resident | Deposit-taking corporations (column 7.12) | Japan |

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| **<u>Amended o/a Stats Notice 2013/09</u>** | 13. Your subsidiary in Canada acquires credit card claims in local currency on customers in Canada. Subsequently, the deposit-taking corporation issues asset-backed securities against these claims and sells the securities in Canada. | Local currency with local resident (column 4) | Other Households (column 4.3/C) | Canada | Local currency with local resident | Other Households (column 7.31/C) | Canada | Local currency with local resident ~~None~~ | Unallocated ~~None~~ | Canada ~~None~~ |
| | 14. You extend a loan to a deposit-taking subsidiary of a Japanese deposit-taking corporation in the US. The subsidiary has **not** received an explicit guarantee from its head office. | Cross-border (column 1) | Deposit-taking corporations (column 1.1) | United States | None | None | None | None | None | None |
| | 15. You extended a loan to a deposit-taking subsidiary of a Japanese deposit-taking corporation in the US. The subsidiary has received an explicit guarantee from its head office. | Cross-border (column 1) | Deposit-taking corporations (column 1.1) | United States | Cross-border | Deposit-taking corporations (column 6.11) | United States | Cross-border | Deposit-taking corporations (column 6.12) | Japan |

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| **Added o/a Stats Notice 2013/09** | 16. Your UK office extends a loan in sterling to a UK household to purchase a property. The loan is backed by collateral in the form of real estate in the UK | Local currency with local resident (column 4) | Other Households (column 4.3/C) | United Kingdom | None | None | None | None | None | None |
| **Added o/a Stats Notice 2013/09** | 17. Your UK office extends a loan in sterling to an Irish household to purchase a property in the UK. The loan is backed by collateral in the form of real estate in the UK | Cross-border (column 1) | Other Households (column 1.3/C) | Ireland | Cross-border | Other Households (column 6.31/C) | Ireland | Local currency with local resident | Other Households (column 6.32/C) | United Kingdom |

| *B. Securities* | Immediate borrower reporting | | | Risk Transfer Reporting | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Outward Risk Transfer | | | Inward Risk Transfer | | |
| | **Type of claims** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** | **Type of Claim** | **Sector** | **Country** |
| 1. You have purchased securities issued by a Japanese deposit-taking corporation against credit card claims on Japanese households | Cross-border (column 1) | Deposit-taking corporations (column 1.1) | Japan | Cross-border | Deposit-taking corporations (column 6.11) | Japan | Cross-border | Other Households (column 6.32/C) | Japan |
| 2. You purchase sterling securities issued by a branch of a Japanese deposit-taking corporation in the UK. | Local currency with local resident (column 4) | Deposit-taking corporations (column 4.1) | United Kingdom | Local currency with local resident | Deposit-taking corporations (column 7.11) | United Kingdom | Cross-border | Deposit-taking corporations (column 6.12) | Japan |
| 3. Your branch in Japan has purchased securities issued by a subsidiary of a Japanese deposit-taking corporation in Canada against credit card claims in foreign currency on Japanese households. | Cross-border (column 1) | Deposit-taking corporations (column 1.1) | Canada | Cross-border | Deposit-taking corporations (column 6.11) | Canada | Non-local currency with local resident | Other Households (column 7.32/C) | Japan |

| *C. Derivatives* | Immediate borrower reporting | | Risk Transfer Reporting | | | |
|---|---|---|---|---|---|---|
| | | | Outward Risk Transfer | | Inward Risk Transfer | |
| | Type of claims | Country | Type of Claim | Country | Type of Claim | Country |
| 1. You have bought credit derivatives issued by a deposit-taking corporation in the US which are recorded in your trading book. | Derivatives (column 8) | United States | None | None | None | None |
| 2. You have bought interest rate derivatives issued by a branch of a Japanese deposit-taking corporation in the US. | Derivatives (column 8) | United States | Derivatives (column 8.1) | United States | Derivatives (column 8.2) | Japan |
| 3. You have bought equity derivatives issued by another UK deposit-taking corporation. The deposit-taking corporation has provided US government securities as collateral. | Derivatives (column 8) | United Kingdom | Derivatives (column 8.1) | United Kingdom | Derivatives (column 8.2) | United States |
| 4. Your branch in Japan has bought interest rate derivatives issued by a branch of a US deposit-taking corporation in Japan. | Derivatives (column 8) | Japan | Derivatives (column 8.1) | Japan | Derivatives (column 8.2) | United States |
| 5. Your subsidiary in Japan has bought equity derivatives issued by a branch of a UK deposit-taking corporation in Japan. | Derivatives (column 8) | Japan | Derivatives (column 8.1) | Japan | Derivatives (column 8.2) | United Kingdom |

| *D. Guarantees and credit commitments* | Immediate borrower reporting | | Risk Transfer Reporting | | | |
|---|---|---|---|---|---|---|
| | | | Outward Risk Transfer | | Inward Risk Transfer | |
| | Type of claims | Country | Type of Claim | Country | Type of Claim | Country |
| 1. You have guaranteed a loan extended by a deposit-taking corporation in Japan to the branch of a US bank in Hong Kong. | Guarantee (column 9) | Hong Kong | Guarantee (column 9.1) | Hong Kong | Guarantee (column 9.2) | United States |
| 2. You have made a credit commitment to a corporate in the US. | Credit Commitment (column 10) | United States | None | None | None | None |
| 3. You have made a credit commitment to a branch of a US deposit-taking corporation in Japan. | Credit Commitment (column 10) | Japan | Credit Commitment (column 10.1) | Japan | Credit Commitment (column 10.2) | United States |
| 4. You have sold a credit derivative on a German corporate to a branch of a Japanese deposit-taking corporation in the US. | Guarantee (column 9) | Germany | None | None | None | None |
| 5. Your subsidiary in Japan has guaranteed a loan extended by a Japanese deposit-taking corporation to the branch of a US bank in Japan. | Guarantee (column 9) | Japan | Guarantee (column 9.1) | Japan | Guarantee (column 9.2) | United States |
| 6. Your branch in Japan has made a credit commitment to a corporate in Japan. | Credit Commitment (column 10) | Japan | None | None | None | None |