Basel Committee
on Banking Supervision

Consultative document

Definition of capital disclosure requirements

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Introduction

1. During the financial crisis, many market participants and supervisors have attempted to undertake detailed assessments of the capital positions of banks and comparisons of their capital positions on a cross jurisdictional basis. The level of detail of the disclosure and the lack of consistency in the way that it was reported typically made this task difficult and often made it impossible to do with any accuracy. It is often suggested that lack of clarity on the quality of capital contributed to uncertainty during the financial crisis. Furthermore, the interventions carried out by the authorities may have been more effective if capital positions of the banks were more transparent.

2. To ensure that banks back their risk exposures with a high quality capital base, Basel III introduced a set of detailed requirements to raise the quality and consistency of capital in the banking sector. In addition, Basel III established certain high level disclosure requirements to improve transparency of regulatory capital and enhance market discipline. The Basel Committee noted that it would issue more detailed Pillar 3 disclosure requirements in 2011.[1] This document sets out these detailed requirements for consultation. Comments should be submitted by Friday 17 February 2012 by email to: baselcommittee@bis.org. Alternatively, comments may be sent by post to the Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, CH-4002 Basel, Switzerland. All comments may be published on the Bank for International Settlements's website unless a commenter specifically requests confidential treatment.

3. To enable market participants to compare the capital adequacy of banks across jurisdictions it is essential that banks disclose the full list of capital items and regulatory adjustments. In addition, to improve consistency and ease of use of disclosures relating to the composition of capital, and to mitigate the risk of inconsistent formats undermining the objective of enhanced disclosure, the Basel Committee believes that internationally-active banks across Basel member jurisdictions should be required to publish their capital positions according to common templates. However, the Basel Committee recognises that some jurisdictions already have in place publicly available mandatory reporting templates for their banks. Market participants responding to this consultative document are asked to provide feedback on whether the use of templates across jurisdictions, with consistency in format and information disclosed, is necessary to achieve an appropriate level of comparability in disclosure, or whether the focus should be only on the consistency of the information disclosed, with the formats potentially varying between jurisdictions.

4. The proposals are set out in the following 5 sections:

- **Section 1: Post 1 January 2018 disclosure template.** A common template is proposed for banks to use to report the breakdown of their regulatory capital when the transition period for the phasing-in of deductions ends on 1 January 2018. It is designed to meet the Basel III requirement to disclose all regulatory adjustments, including amounts falling below thresholds for deduction, and thus enhance consistency and comparability in the disclosure of the elements of capital between banks and across jurisdictions.

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[1] See paragraphs 91 to 93 of the Basel III rules text, which is available at www.bis.org/publ/bcbs189.htm.

- **Section 2: reconciliation requirements.** A 3 step approach for banks to follow is proposed to ensure that the Basel III requirement to provide a full reconciliation of all regulatory capital elements back to the published financial statements is met in a consistent manner. This approach is not based on a common template because the starting point for reconciliation, the bank's reported balance sheet, will vary between jurisdictions due to the application of different accounting standards.
- **Section 3: main features template.** A common template is proposed for banks to use to meet the Basel III requirement to provide a description of the main features of capital instruments.
- **Section 4: other disclosure requirements.** This section proposes how banks should meet the Basel III requirement to provide the full terms and conditions of capital instruments on their websites and the requirement to report the calculation of any ratios involving components of regulatory capital.
- **Section 5: template during the transitional period.** This section proposes that banks use a modified version of the post 1 January 2018 template in Section 1 during the transitional phase. This proposal aims to meet the additional Basel III requirement for banks to disclose the components of capital that are benefiting from the transitional arrangements.

5. As an aim of the disclosure requirements is to improve market discipline by enabling market participants to compare the composition of capital at banks on a cross jurisdictional basis, the Basel Committee would particularly welcome feedback from investors, analysts, rating agencies and other users of data disclosed by banks on the composition of their regulatory capital. It would also welcome feedback from the audit community, particularly in relation to the reconciliation requirements set out in Section 2, and from securities regulators, particularly in relation to the requirements to disclose the terms and conditions of capital instruments set out in Sections 3 and 4.

6. This consultative document is limited to the disclosure of the composition of capital and the capital ratios of banks. Further work may be undertaken in due course on disclosure requirements for the capital requirements of banks.

7. The Basel Committee proposes that banks comply with the disclosure requirements set out in this document from the date of publication of their first set of financial statements relating to a balance sheet date on or after 1 January 2013 (with the exception of the Post 1 January 2018 template set out in Section 1). Furthermore, it is proposed that banks publish this disclosure with the same frequency as the publication of their financial statements (ie typically quarterly or half yearly). In the case of the main features template (Section 3) and provision of the full terms and conditions of capital instruments (Section 4), banks would also be required to update these disclosures whenever a new capital instrument was issued and included in capital.

Section 1: Post 1 January 2018 disclosure template

8. The common template that the Basel Committee has developed is set out in Annex 1, along with an explanation of its design. It is largely based on the template currently used to collect the Basel III implementation monitoring data.[2]

9. The template is designed to capture the capital positions of banks after the transition period for the phasing-in of deductions ends on 1 January 2018 (a proposal on how banks should report their capital positions during this transitional phase is set out in Section 5).

10. The Basel Committee proposes that banks should publish the completed disclosure template with the same frequency as the publication of their financial statements (ie typically quarterly or half yearly). Furthermore, it is proposed that the completed disclosure template should either be included in the bank's published financial reports or, at a minimum, these reports should provide a direct link to the completed template on the bank's website. Banks should also make available on their websites an archive of all templates relating to prior reporting periods.

Section 2: Reconciliation requirements

11. This section proposes a common approach for banks to follow to comply with the requirement of paragraph 91 of the Basel III rules text, which states that banks should disclose "*a full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements.*" This requirement aims to address the problem that at present there is a disconnect in many banks' disclosure between the numbers used for the calculation of regulatory capital and the numbers used in the published financial statements.

12. The proposal requires banks to take a 3 step approach to show the link between their balance sheet in their published financial statements and the numbers that are used in the definition of capital disclosure template set out in Section 1.

13. The 3 steps require banks to:

- Step 1: Disclose the reported balance sheet under the regulatory scope of consolidation.
- Step 2: Expand the lines of the regulatory-scope balance sheet to display all of the components that are used in the definition of capital disclosure template.
- Step 3: Map each of the components that are disclosed in Step 2 to the definition of capital disclosure template set out in Section 1.

Each of the three steps are explained in more detail below.

2 See http://www.bis.org/bcbs/qis/index.htm

Step 1: Disclose the reported balance sheet under the regulatory scope of consolidation

14. The scope of consolidation for accounting purposes and for regulatory purposes are often different. This factor often explains much of the difference between the numbers used in the calculation of regulatory capital and the numbers used in a bank's published financial statements. Therefore, a key element in any reconciliation involves disclosing how the balance sheet in the published financial statements changes when the regulatory scope of consolidation is applied. Step 1 is illustrated in Annex 2.

15. If the scope of regulatory consolidation and accounting consolidation is identical for a particular banking group, it would not need to undertake Step 1. The banking group could simply state that there is no difference between the regulatory consolidation and the accounting consolidation and move to Step 2.

16. In addition to Step 1, the Basel Committee is considering requiring banking groups to disclose the list the legal entities that are included within accounting scope of consolidation but excluded from the regulatory scope of consolidation. This would better enable supervisors and market participants to investigate the risks posed by unconsolidated subsidiaries. Similarly, banking groups could be required to list the legal entities included in the regulatory consolidation that are not included in the accounting scope of consolidation. Banks responding to this consultative document are asked to give an indication of how extensive such a requirement would be in practice, eg through indicating the number of legal entities that would be required to be identified through these disclosure requirements.

Step 2: Expand the lines of the regulatory balance sheet to display all of the components used in the definition of capital disclosure template

17. Many of the elements used in the calculation of regulatory capital cannot be readily identified from the face of the balance sheet. Therefore, banks should expand the rows of the regulatory-scope balance sheet such that all of the components used in the definition of capital disclosure template (described in Section 1) are displayed separately.

18. For example, paid-in share capital may be reported as one line on the balance sheet. However, some elements of this may meet the requirements for inclusion in Common Equity Tier 1 (CET1) and other elements may only meet the requirements for Additional Tier 1 (AT1) or Tier 2 (T2), or may not meet the requirements for inclusion in regulatory capital at all. Therefore, if the bank has some paid-in capital that feeds into the calculation of CET1 and some that feeds into the calculation of AT1, it should expand the 'paid-in share capital' line of the balance sheet in the following way (also illustrated in Annex 2 (step 2)):

Paid-in share capital		Ref
of which amount eligible for CET1		h
of which amount eligible for AT1		i

19. In addition, as illustrated above, each element of the expanded balance sheet should be given a reference number/letter for use in Step 3.

20. As another example, one of the regulatory adjustments is the deduction of intangible assets. While at first it may seem as if this can be taken straight off the face of the balance sheet, there are a number of reasons why this is unlikely to be the case. Firstly, the amount on the balance sheet may combine goodwill, other intangibles and mortgage services rights. MSRs are not to be deducted in full (they are instead subject to the threshold deduction

treatment). Secondly, the amount to be deducted is net of any related deferred tax liability. This deferred tax liability will be reported on the liability side of the balance sheet and is likely to be reported in combination with other deferred tax liabilities that have no relation to goodwill or intangibles. Therefore, the bank should expand the balance sheet in the following way:

Goodwill and intangible assets		Ref
of which goodwill		a
of which other intangibles (excluding MSRs)		b
of which MSRs		c

Current and deferred tax liabilities		
Of which DTLs related to goodwill		d
Of which DTLs related to other intangible assets (excluding MSRs)		e
Of which DTLs related to MSRs		f

21. It is important to note that banks would only need to expand elements of the balance sheet to the extent that this was necessary to reach the components that are used in the definition of capital disclosure template. So, for example, if all of the paid-in capital of the bank met the requirements to be included in CET1, the bank would not need to expand this line. The level of disclosure is proportionate, varying with the complexity of the bank's balance sheet and its capital structure.

22. Step 2 is illustrated in Annex 2.

Step 3: Map each of the components that are disclosed in Step 2 to the definition of capital disclosure template

23. When reporting the definition of capital disclosure template, as proposed in Section 1, the bank would be required to use the reference numbers/letters from Step 2 to show the source of every input.

24. For example, the definition of capital disclosure template includes the line "goodwill net of related deferred tax liability". Next to the disclosure of this item in the definition of capital disclosure template the bank should put "a - d" to illustrate how these components of the regulatory scope balance sheet have been used to calculate this item in the disclosure template.

Additional comments on the 3 step approach

25. The 3 step approach outlined above is designed to offer the following benefits:

- The level of disclosure is proportionate, varying with the complexity of the balance sheet of the reporting bank (ie banks are not subject to a fixed template that is designed to fit the most complex banks. A bank can skip a step if there is no further information added by that step).
- Supervisors and market participants can trace the origin of the elements of the regulatory capital back to their exact location on the regulatory-scope balance sheet.

- The approach is flexible enough to be used under any accounting standards: firms are required to map all the components of Step 3 back to a source in their Step 2 disclosure (expanded regulatory-scope balance sheet), regardless of where the accounting standard requires the source to be reported on the balance sheet.

26. The Basel Committee considered requiring banks to use a common template to disclose the reconciliation between banks' balance sheets and their regulatory capital. However, it does not feel that this would be possible at this stage given that banks balance sheets are not reported in a common way across jurisdictions due to the application of different accounting standards.

27. Within a single jurisdiction, the use of a common template may be possible. Therefore, the relevant authorities may design a common template that is consistent with the 3 step approach set out above and require banks use this in order to achieve greater consistency in the way the 3 step approach is implemented within their jurisdiction.

Section 3: Main features template

28. Basel III requires banks to disclose a description of the main features of capital instruments issued. While banks will also be required to make available the full terms and conditions of their capital instruments (see section 4), the length of these documents makes the extraction of the key features a burdensome task. The issuing bank is better placed to undertake this task than supervisors and market participants that want an overview of the capital structure of the bank.

29. Existing Basel II Pillar 3 guidance already includes a requirement that banks provide qualitative disclosure that sets out "*Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.*" However, the Basel Committee has found that this Basel II requirement is not met in a consistent way by banks. The lack of consistency in both the level of detail provided and the format of the disclosure makes the analysis and monitoring of this information difficult.

30. To ensure that banks meet the Basel III requirement to disclose the main features of capital instruments in a consistent and comparable way, the Basel Committee proposes that banks be required to complete a 'main features template'. This template represents the minimum level of summary disclosure that banks would be required to report in respect of each capital instrument issued. The template is set out in Annex 3 of this report, along with a description of each of the items to be reported.

31. Some key points to note about the template are:

- It has been designed to be completed by banks from when the Basel III framework comes into effect on 1 January 2013. It will therefore include disclosure of the instruments that are subject to the transitional arrangements.
- Banks would be required to report each capital instrument in a separate column of the template, such that the completed template would provide a 'main features report' that summarises all of the regulatory capital instruments of the banking group.
- The list of main features represents a minimum level of required summary disclosure. In implementing this minimum requirement, each Basel Committee

member authority would be encouraged to add to this list if there are features that it is important to disclose in the context of the banks they supervise.

- Banks would be required to keep the completed main features report up-to-date, such that the report is updated and made publicly available whenever a bank issues or repays a capital instrument.
- Given that the template includes information on the amount recognised in regulatory capital at the latest reporting date, the main features report should either be included in the bank's published financial reports or, at a minimum, these financial reports should provide a direct link to where the report can be found on the bank's website.

Features not currently included in the template

32. Set out in the box below is a list of features that were considered, but are not currently included in the template:

- Issuer type (ie whether issuer is Non-joint Stock Company, BHC, Bank or SPV).
- The governing laws of the instrument.
- Coupon features:
  - Floating or fixed coupon.
  - Coupon rate.
  - Index of floating coupon.
  - Conditions under which a dividend may be reset.
  - Existence of dividend stopper.
- Redemption/call features:
  - Redemption Price (eg par, par + premium).
  - Extraordinary redemption events (eg regulatory capital or tax events that give the bank to option to call the instrument).
  - redemption price upon an extraordinary redemption event.
- Events of default.
- Covenants.
- Guarantees or enhancements (to assess subordination).
- Voting rights.
- Issued to parent or affiliate.

33. The list above illustrates a number of the features that individual Committee member authorities may choose to add to the main features disclosure template when implementing it in their jurisdiction.

34. Market participants responding to this consultative document, in particular the users information on regulatory capital reported by banks, are asked to consider whether the current list of items included in the main features template represents the most useful set of minimum summary disclosures on the key feature of capital instruments that banks could be required to make. They are also asked to provide feedback on whether, and if so how, they would use the information provided.

35. The main features template is designed to be completed for every capital instrument that the bank has issued. The Basel Committee would also welcome feedback on whether this should also include the common shares issued by the bank. For example, this may help provide useful information in cases where the issuing bank has more than one class of common share.

Section 4: Other disclosure requirements

36. In addition to the disclosure requirements set out in Sections 1 to 3 of this report, and aside from the transitional disclosure requirements set out in Section 5, the Basel III rules text makes the following requirements in respect of the definition of capital:

- **Non-regulatory ratios**: banks which disclose ratios involving components of regulatory capital (eg "Equity Tier 1", "Core Tier 1" or "Tangible Common Equity" ratios) must accompany such disclosures with a comprehensive explanation of how these ratios are calculated.
- **Full terms and conditions**: banks are required to make available on their websites the full terms and conditions of all instruments included in regulatory capital.

37. The Basel Committee views these requirements as largely self explanatory. There are, however, two related requirements, set out below, that Basel Committee proposes to add.

38. Related to the requirements on non-regulatory ratios, the Basel Committee proposes that banks should be prohibited from using the terms Common Equity Tier 1, Additional Tier 1, Tier 1, Tier 2 and Total Capital (and ratios based on these) if they are not calculated in accordance with the Basel III minimum requirements as implemented under national law. For example, if a jurisdiction subjects non-internationally active banks to a regime that is less conservative than the Basel III requirements, it should not permit these banks to use these terms when reporting their capital positions. A further example is if a bank is subject to a solo (or sub-consolidated) capital requirement and the regime applied to the solo entity does not require it to deduct its investments in other financial entities, this solo entity should not report a 'Common Equity Tier 1 ratio', but instead use some other non-Basel III terminology. This requirement will help to avoid banks giving a misleading impression of compliance with the Basel III method of calculating Common Equity Tier 1. It is important to note that the proposal is not intended to help police whether a jurisdiction has implemented Basel III, there will be a separate process undertaken by the Committee for assessing compliance. It is instead intended to capture situations where a bank is aware that it is not applying the Basel III standards and where the authority knows that it is not applying the regime to certain types of groups and certain sub-groups or solo entities.

39. The requirement for banks to make available the full terms and conditions of instruments on their websites will allow supervisors and market participants to investigate the specific features of individual capital instruments. The Basel Committee proposes that all banks be required to maintain a Regulatory Disclosures section of their websites, where all of the information relating to disclosure of regulatory capital is made available to market participants. This proposal stems from the supervisory experience that, in many cases, the benefit of Pillar 3 disclosures is severely diminished by the challenge of finding the disclosure in the first place.

40. Ideally much of the information that would be reported in the Regulatory Disclosures section of the website would also included in the published financial reports of the bank. The Basel Committee proposes that, at minimum, the published financial reports should direct

users to the relevant section of their websites where the full set of required regulatory disclosure is provided.

Section 5: Template during the transitional period

41. The Basel III rules text states that: "*During the transition phase banks are required to disclose the specific components of capital, including capital instruments and regulatory adjustments that are benefiting from the transitional provisions.*"

42. The transitional arrangements for Basel III phase in the regulatory adjustments between 1 January 2014 and 1 January 2018. They require 20% of the adjustments to be made according to Basel III in 2014, with the residual subject to existing national treatment. In 2015 this increases to 40%, and so on, until the full amount of the Basel III adjustments are applied from 1 January 2018.

43. These transitional arrangements create an additional layer of complexity in the definition of capital in the period between 1 January 2013 and 1 January 2018, especially due to the fact that existing national treatments of the residual regulatory adjustments vary considerably. This complexity suggests that there would be particular benefits in setting out detailed disclosure requirements during this period to ensure that banks do not adopt different approaches that make comparisons between them difficult.

44. This section of the consultative document proposes a way to ensure that disclosure during the transitional period is consistent and comparable across banks in different jurisdictions. The proposal is to modify the Post 1 January 2018 Disclosure Template, set out in Section 1, in a way that captures existing national treatments for the regulatory adjustments. Using a modified version of the Post 1 January 2018 Disclosure Template, rather than developing a completely separate set of reporting requirements, should help to reduce systems costs for banks.[3] The template is modified in just two ways: (1) an additional column indicates the amounts of the regulatory adjustments that will be subject to the existing national treatment; and (2) each jurisdiction would insert additional rows in four separate places to indicate where the adjustment amounts reported in the added column actually affect capital during the transition period. The modifications to the template are set out in Annex 4, along with some examples of how the template would work in practice.

45. The template is designed to be disclosed as soon as Basel III comes into effect on 1 January 2013 and banks would be required to report the template with the same frequency as the publication of their financial statements (typically quarterly or half yearly).

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3 This section focuses on the phase-in of regulatory adjustments because the Post 1 January 2018 Disclosure Template set out in Annex 1 already addresses the phase-out of capital instruments.

Annex 1

Post 1 January 2018 Disclosure Template

46. Key points to note about the template set out in this Annex are:

- The template is based on the Basel III implementation monitoring template. However, it is simpler as it excludes certain internal workings/calculations included in the monitory template (eg no detail on subsidiary-by-subsidiary surplus third-party capital).
- The template is designed to capture the capital positions of banks after the transition period for the phasing-in of deductions ends on 1 January 2018 (the proposal on how banks should report their capital positions during this transitional phase is set out in Section 5 of this report).
- Banks will need to calculate all applicable elements in the disclosure template in order to be able to calculate their Basel III definition of capital even in the absence of disclosure, therefore the disclosure requirements do not appear to result in any significant additional burden for banks.
- Certain rows are in italics. These rows would be deleted after all the ineligible capital instruments have been fully phased out (ie from 1 January 2022 onwards).
- The template does not include any information regarding the reconciliation of items back to the published financial statements. Section 2 of this consultative document proposes the way for banks to make disclosure regarding reconciliation.
- The reconciliation proposal included in Section 2 would result in the decomposition of certain regulatory adjustments. For example, the disclosure template below includes the adjustment 'Goodwill net of related tax liability'. The proposal in Section 2 will lead to the disclosure of both the goodwill component and the related tax liability component of this regulatory adjustment.
- Regarding the shading:
  - Each dark grey row introduces a new section detailing a certain component of regulatory capital.
  - The light grey rows with no thick border represent the sum cells in the relevant section.
  - The light grey rows with a thick border show the main components of regulatory capital and the capital ratios.
- Also provided below is a table that sets out an explanation of each line of the template, with references to the appropriate paragraphs of the Basel III text.

Proposed Basel III common disclosure template to be used from 1 January 2018

	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	
2	Retained earnings	
3	Accumulated other comprehensive income (and other reserves)	
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined-benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the common stock of financials	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	**Total regulatory adjustments to Common equity Tier 1**	
29	**Common Equity Tier 1 capital (CET1)**	
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 4) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 capital before regulatory adjustments**	
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	**Total regulatory adjustments to Additional Tier 1 capital**	

44	**Additional Tier 1 capital (AT1)**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	*Directly issued capital instruments subject to phase out from Tier 2*	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 4 or 31) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	*of which: instruments issued by subsidiaries subject to phase out*	
50	Provisions	
51	**Tier 2 capital before regulatory adjustments**	
	Tier 2 capital: regulatory adjustments	
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	
58	**Tier 2 capital (T2)**	
59	**Total capital (TC = T1 + T2)**	
60	**Total risk weighted assets**	
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	
62	Tier 1 (as a percentage of risk weighted assets)	
63	Total capital (as a percentage of risk weighted assets)	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	
65	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	
	National minima (if different from Basel 3)	
66	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	
67	National Tier 1 minimum ratio (if different from Basel 3 minimum)	
68	National total capital minimum ratio (if different from Basel 3 minimum)	
	Amounts below the thresholds for deduction (before risk weighting)	
69	Non-significant investments in the capital of other financials	
70	Significant investments in the common stock of financials	
71	Mortgage servicing rights (net of related tax liability)	
72	Deferred tax assets arising from temporary differences (net of related tax liability)	
	Applicable caps on the inclusion of provisions in Tier 2	
73	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
74	Cap on inclusion of provisions in Tier 2 under standardised approach	
75	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
76	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
77	*Current cap on CET1 instruments subject to phase out arrangements*	
78	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	
79	*Current cap on AT1 instruments subject to phase out arrangements*	
80	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	
81	*Current cap on T2 instruments subject to phase out arrangements*	
82	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	

47. Set out in the following table is an explanation of each row of the template above. Regarding the regulatory adjustments banks would be required to report deductions from capital as positive numbers and additions to capital as negative numbers. For example, goodwill (row 8) should be reported as a positive number, as should gains due to the change

in the own credit risk of the bank (row 14). However, losses due to the change in the own credit risk of the bank should be reported as a negative number as these are added back in the calculation of Common Equity Tier 1.

Explanation of each row of the common disclosure template

Row number	Explanation
1	Instruments issued by the parent company of the reporting group that meet all of the CET1 entry criteria set out in Paragraph 53 of Basel III. This should be equal to the sum of common stock (and related surplus only) and other instruments for non joint stock companies, both of which must meet the common stock criteria. This should be net of treasury stock and other investments in own shares to the extent that these are already derecognised on the balance sheet under the relevant accounting standards. Other paid-in capital elements must be excluded. All minority interest must be excluded.
2	Retained earnings, prior to all regulatory adjustments. In accordance with paragraph 52 of Basel III, this row should include interim profit and loss that has met any audit, verification or review procedures that the supervisory authority has put in place. Dividends are to be removed in accordance with the applicable accounting standards, ie the they should be removed from this row when they are removed from the balance sheet of the bank.
3	Accumulated other comprehensive income and other disclosed reserves, prior to all regulatory adjustments.
4	Directly issued capital instruments subject to phase-out from CET1 in accordance with the requirements of paragraph 95 of Basel III. This is only applicable to non-joint stock companies. Banks structured as joint-stock companies must report zero in this row.
5	Common share capital issued by subsidiaries and held by third parties. Only the amount that is eligible for inclusion in group CET1 should be reported here, as determined by the application of paragraph 62 of Basel III (see Annex 3 of Basel III for example calculation).
6	Sum of rows 1 to 5.
7	Valuation adjustments according to the requirements of paragraphs 698 to 701 of Basel II.
8	Goodwill net of related tax liability, as set out in paragraphs 67 to 68 of Basel III.
9	Intangibles other than mortgage-servicing rights (net of related tax liability), as set out in paragraph 67 to 68 of Basel III.
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability), as set out in paragraph 69 of Basel III.
11	The element of the cash-flow hedge reserve described in paragraphs 71 and 72 of Basel III.
12	Shortfall of provisions to expected losses as described in paragraph 73 of Basel III.
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)
14	Gains and losses due to changes in own credit risk on fair valued liabilities, as described in paragraph 75 of Basel III.
15	Defined-benefit pension fund net assets, the amount to be deducted as set out in paragraphs 76 and 77 of Basel III.
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet), as set out in paragraph 78 of Basel III.
17	Reciprocal cross-holdings in common equity, as set out in paragraph 79 of Basel III.
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation where the bank does not own more than 10% of the issued share capital (amount above 10% threshold), amount to be deducted from CET1 in accordance with paragraphs 80 to 83 of the Basel III.
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold), amount to be deducted from CET1 in accordance with paragraphs 84 to 88 of Basel III.
20	Mortgage servicing rights (amount above 10% threshold) , amount to be deducted from CET1 in accordance with paragraphs 87 to 88 of Basel III.
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) , amount to be deducted from CET1 in accordance with paragraphs 87 to 88 of Basel III.
22	Total amount by which the 3 threshold items exceed the 15% threshold, excluding amounts reported in rows 18 to 20, calculated in accordance with paragraphs 87 and 88 of Basel III.
23	The amount reported in row 21 that relates to significant investments in the common stock of financials
24	The amount reported in row 21 that relates to mortgage servicing rights
25	The amount reported in row 21 that relates to deferred tax assets arising from temporary differences
26	Any national specific regulatory adjustments that national authorities required to be applied to CET1 in addition to the Basel III minimum set of adjustments. Guidance should be sought from national supervisors.
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 to cover deductions. If the amount reported in row 42 exceeds the amount reported in row 35 the excess is to be reported here.
28	Total regulatory adjustments to Common equity Tier 1, to be calculated as the sum of rows 6 to 21 plus rows 25 and 26.
29	Common Equity Tier 1 capital (CET1), to be calculated as row 5 minus row 27.
30	Instruments issued by the parent company of the reporting group that meet all of the AT1 entry criteria set out in paragraph 55 of Basel III and any related stock surplus as set out in paragraph 56 of Basel III. All instruments issued of subsidiaries of the consolidated group should be excluded from this row. This row may include Additional Tier 1 capital issued by an SPV of the parent company only if it meets the requirements set out in paragraph 65 of Basel III.

31	The amount in row 29 classified as equity under applicable accounting standards.
32	The amount in row 29 classified as liabilities under applicable accounting standards.
33	Directly issued capital instruments subject to phase out from Additional Tier 1 in accordance with the requirements of paragraph 94 (g) of Basel III.
34	Additional Tier 1 instruments (and CET1 instruments not included in row 4) issued by subsidiaries and held by third parties, the amount allowed in group AT1 in accordance with paragraph 63 of Basel III (see Annex 3 of Basel III for example calculation).
35	The amount reported in row 33 that relates to instruments subject to phase out from AT1 in accordance with the requirements of paragraph 94(g) of Basel III.
36	The sum of rows 29, 32 and 33.
37	Investments in own Additional Tier 1 instruments, amount to be deducted from AT1 in accordance with paragraph 78 of Basel III.
38	Reciprocal cross-holdings in Additional Tier 1 instruments, amount to be deducted from AT1 in accordance with paragraph 79 of Basel III.
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation where the bank does not own more than 10% of the issued common share capital of the entity (net of eligible short positions), amount to be deducted from AT1 in accordance with paragraphs 80 to 83 of the Basel III.
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions), amount to be deducted from AT1 in accordance with paragraphs 84 to 85 of Basel III.
41	Any national specific regulatory adjustments that national authorities require to be applied to AT1 in addition to the Basel III minimum set of adjustments. Guidance should be sought from national supervisors.
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions. If the amount reported in row 56 exceeds the amount reported in row 50 the excess is to be reported here.
43	The sum of rows 36 to 41.
44	Additional Tier 1 capital, to be calculated as row 35 minus row 42.
45	Tier 1 capital, to be calculated as row 28 plus row 43.
46	Instruments issued by the parent company of the reporting group that meet all of the Tier 2 entry criteria set out in paragraph 58 of Basel III and any related stock surplus as set out in paragraph 59 of Basel III. All instruments issued of subsidiaries of the consolidated group should be excluded from this row. This row may include Tier 2 capital issued by an SPV of the parent company only if it meets the requirements set out in paragraph 65 of Basel III.
47	Directly issued capital instruments subject to phase out from Tier 2 in accordance with the requirements of paragraph 94 (g) of Basel III.
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 4 or 31) issued by subsidiaries and held by third parties (amount allowed in group Tier 2), in accordance with paragraph 64 of Basel III.
49	The amount reported in row 47 that relates to instruments subject to phase out from T2 in accordance with the requirements of paragraph 94(g) of Basel III.
50	Provisions included in Tier 2, calculated in accordance with paragraphs 60 and 61 of Basel III.
51	The sum of rows 45 to 47 and row 49.
52	Investments in own Tier 2 instruments, amount to be deducted from Tier 2 in accordance with paragraph 78 of Basel III.
53	Reciprocal cross-holdings in Tier 2 instruments, amount to be deducted from Tier 2 in accordance with paragraph 79 of Basel III.
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation where the bank does not own more than 10% of the issued common share capital of the entity (net of eligible short positions), amount to be deducted from Tier 2 in accordance with paragraphs 80 to 83 of the Basel III.
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions), amount to be deducted from Tier 2 in accordance with paragraphs 84 to 85 of Basel III.
56	Any national specific regulatory adjustments that national authorities require to be applied to Tier 2 in addition to the Basel III minimum set of adjustments. Guidance should be sought from national supervisors.
57	The sum of rows 51 to 55.
58	Tier 2 capital, to be calculated as row 50 minus row 56.
59	Total capital, to be calculated as row 44 plus row 57.
60	Total risk weighted assets of the reporting group.
61	Common Equity Tier 1 (as a percentage of risk weighted assets), to be calculated as row 28 divided by row 59 (expressed as a percentage).
62	Tier 1 ratio (as a percentage of risk weighted assets) , to be calculated as row 44 divided by row 59 (expressed as a percentage).
63	Total capital ratio (as a percentage of risk weighted assets) , to be calculated as row 58 divided by row 59 (expressed as a percentage).
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets). To be calculated as 4.5% plus 2.5% plus the bank specific countercyclical buffer requirement calculated in accordance with paragraphs 142 to 145 of Basel III. This row will show the CET1 ratio below which the bank will become subject to constraints on distributions.
65	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets). To be calculated as the CET1 ratio of the bank, less any common equity used to meet the bank's Tier 1 and Total capital requirements.
66	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum). Guidance should be sought from national supervisors.

67	National Tier 1 minimum ratio (if different from Basel 3 minimum). Guidance should be sought from national supervisors.
68	National total capital minimum ratio (if different from Basel 3 minimum). Guidance should be sought from national supervisors.
69	Non-significant investments in the capital of other financials, the total amount of such holdings that are not reported in row 17, row 38 and row 53.
70	Significant investments in the common stock of financials, the total amount of such holdings that are not reported in row 18 and row 22.
71	Mortgage servicing rights, the total amount of such holdings that are not reported in row 19 and row 23.
72	Deferred tax assets arising from temporary differences, the total amount of such holdings that are not reported in row 20 and row 24.
73	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach, calculated in accordance paragraph 60 of Basel III, prior to the application of the cap.
74	Cap on inclusion of provisions in Tier 2 under standardised approach, calculated in accordance paragraph 60 of Basel III.
75	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach, calculated in accordance paragraph 61 of Basel III, prior to the application of the cap.
76	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach, calculated in accordance paragraph 61 of Basel III.
77	Current cap on CET1 instruments subject to phase out arrangements, see paragraph 95 of Basel III.
78	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) , see paragraph 95 of Basel III.
79	Current cap on AT1 instruments subject to phase out arrangements, see paragraph 94(g) of Basel III.
80	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) , see paragraph 94(g) of Basel III.
81	Current cap on T2 instruments subject to phase out arrangements, see paragraph 94(g) of Basel III.
82	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) , see paragraph 94(g) of Basel III.

Annex 2

Illustration of the 3 step approach to reconciliation

Step 1

48. Under Step 1 banks are required to take their balance sheet in their published financial statements (numbers reported the middle column below) and report the numbers when the regulatory scope of consolidation is applied (numbers reported in the right hand column below). If there are rows in the regulatory consolidation balance sheet that are not present in the published financial statements, banks would be required to add these and give a value of zero in the middle column.

	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**
	As at period end	**As at period end**
Assets		
Cash and balances at central banks		
Items in the course of collection from other banks		
Trading portfolio assets		
Financial assets designated at fair value		
Derivative financial instruments		
Loans and advances to banks		
Loans and advances to customers		
Reverse repurchase agreements and other similar secured lending		
Available for sale financial investments		
Current and deferred tax assets		
Prepayments, accrued income and other assets		
Investments in associates and joint ventures		
Goodwill and intangible assets		
Property, plant and equipment		
Total assets		
Liabilities		
Deposits from banks		
Items in the course of collection due to other banks		
Customer accounts		
Repurchase agreements and other similar secured borrowing		
Trading portfolio liabilities		
Financial liabilities designated at fair value		
Derivative financial instruments		
Debt securities in issue		
Accruals, deferred income and other liabilities		
Current and deferred tax liabilities		
Subordinated liabilities		
Provisions		
Retirement benefit liabilities		
Total liabilities		
Shareholders' Equity		
Paid-in share capital		
Reserves		
Total shareholders' equity		

Step 2

49. Under Step 2 banks would be required to expand the regulatory-scope balance sheet (revealed in Step 1) to identify all the elements that are used in the definition of capital disclosure template set out in Annex 1. Set out below are some examples of elements that may need to be expanded for a particular banking group. The more complex the balance sheet of the bank, the more items would need to be disclosed. Each element must be given a reference number/letter that can be used in Step 3.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets			
Cash and balances at central banks			
Items in the course of collection from other banks			
Trading portfolio assets			
Financial assets designated at fair value			
Derivative financial instruments			
Loans and advances to banks			
Loans and advances to customers			
Reverse repurchase agreements and other similar secured lending			
Available for sale financial investments			
Current and deferred tax assets			
Prepayments, accrued income and other assets			
Investments in associates and joint ventures			
Goodwill and intangible assets			
of which goodwill			a
of which other intangibles (excluding MSRs)			b
of which MSRs			c
Property, plant and equipment			
Total assets			
Liabilities			
Deposits from banks			
Items in the course of collection due to other banks			
Customer accounts			
Repurchase agreements and other similar secured borrowing			
Trading portfolio liabilities			
Financial liabilities designated at fair value			
Derivative financial instruments			
Debt securities in issue			
Accruals, deferred income and other liabilities			
Current and deferred tax liabilities			
Of which DTLs related to goodwill			d
Of which DTLs related to intangible assets (excluding MSRs)			e
Of which DTLs related to MSRs			f
Subordinated liabilities			
Provisions			
Retirement benefit liabilities			
Total liabilities			
Shareholders' Equity			
Paid-in share capital			
of which amount eligible for CET1			h
of which amount eligible for AT1			i
Reserves			
Total shareholders' equity			

Step 3

50. Under Step 3 banks would be required to complete a column added to the post 1 January 2018 disclosure template to show the source of every input.

51. For example, the definition of capital disclosure template includes the line "goodwill net of related deferred tax liability". Next to the disclosure of this item in the Post 1 January 2018 Disclosure Template the bank would be required to put "a - d" to show that row 7 of the template has been calculated as the difference between component "a" of the regulatory scope balance sheet, illustrated in step 2, and component "d".

Extract of Basel III common disclosure template (with added column)

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the regulatory scope balance sheet from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus		h
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		a-d

Annex 3

Main features template

52. Set out below is the proposed template to ensure that the key features of regulatory capital instruments are disclosed. Banks would be required to complete all of the shaded cells for each outstanding regulatory capital instrument (banks would insert "NA" if the question is not applicable).

Disclosure template for main features of regulatory capital instruments

1	Issuer	
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	
	Regulatory treatment	
3	Transitional Basel III rules	
4	Post-transitional Basel III rules	
5	Eligible at solo/group/group&solo	
6	Instrument type (types to be specified by each jurisdiction)	
7	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	
8	Par value of instrument	
9	Accounting classification	
10	Original date of issuance	
11	Perpetual or dated	
12	Original maturity date[1]	
13	Issuer call subject to prior supervisory approval	
14	Optional call date[2]	
15	Subsequent call dates, if applicable	
	Coupons / dividends	
16	Fully discretionary, partially discretionary or mandatory	
17	Existence of step up or other incentive to redeem	
18	Noncumulative or cumulative	
19	Convertible or non-convertible	
20	If convertible, conversion trigger (s)	
21	If convertible, fully or partially	
22	If convertible, conversion rate	
23	If convertible, mandatory or optional conversion	
24	If convertible, specify instrument type convertible into	
25	If convertible, specify issuer of instrument it converts into	
26	Write-down feature	
27	If write-down, write-down trigger(s)	
28	If write-down, full or partial	
29	If write-down, permanent or temporary	
30	If temporary write-down, description of write-up mechanism	
31	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
32	Non-compliant transitioned features	
33	If yes, specify non-compliant features	

(1) Indicate year instrument matures disregarding any call options. For perpetual instrument, insert "N/A."
(2) Provide month and year of first optional call date.

53. This template was developed in a spreadsheet that would be made available to banks following finalisation of the consultation process. To complete most of the cells banks would simply select an option from a drop down menu. Using the reference numbers in the left column of the table above, the following table provides a more detailed explanation of what banks would be required to report in each of the grey cells, including, where relevant, the list of options contained in the excel drop down menu.

Further explanation of items in main features disclosure template

1	Identifies issuer legal entity. *Free text*
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) *Free text*
3	Specifies transitional Basel III regulatory capital treatment. *Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]*
4	Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment. *Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]*
5	Specifies the level(s) within the group at which the instrument is included in capital. *Select from menu: [Solo] [Group] [Solo and Group]*
6	Specifies instrument type, varying by jurisdiction. Helps provide more granular understanding of features, particularly during transition. *Select from menu: menu options to be provided to banks by each jurisdiction*
7	Specifies amount recognised in regulatory capital. *Free text*
8	Par value of instrument *Free text*
9	Specifies accounting classification. Helps to assess loss absorbency. *Select from menu: [Shareholders' equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]*
10	Specifies date of issuance. *Free text*
11	Specifies whether dated or perpetual. *Select from menu: [Perpetual] [Dated]*
12	For dated instrument, specifies original maturity date. *Free text*
13	Specifies whether there is an issuer call option. Helps to assess permanence. *Select from menu: [Yes] [No]*
14	For instrument with issuer call option, specifies first date of call. Helps to assess permanence. *Free text*
15	Specifies subsequent call dates, if applicable. Helps to assess permanence. *Free text*
16	Specifies whether the issuer has full discretion, partial discretion or no discretion over whether a coupon/dividend is paid. *Select from menu: [Fully discretionary] [Partially discretionary] [Mandatory]*
17	Specifies whether there is a step-up or other incentive to redeem. *Select from menu: [Yes] [No]*
18	Specifies whether dividends / coupons are cumulative or noncumulative. *Select from menu: [Noncumulative] [Cumulative]*
19	Specifies whether instrument is convertible or not. Helps to assess loss absorbency. *Select from menu: [Convertible] [Nonconvertible]*
20	Specifies the conditions under which the instrument will convert, including point of non-viability. *Free text*
21	Specifies whether the instrument converts fully or partially *Select from menu: [Fully] [Partially]*
22	Specifies rate of conversion into the more loss absorbent instrument. Helps to assess the degree of loss absorbency. *Free text*
23	For convertible instruments, specifies whether conversion is mandatory or optional. Helps to assess loss absorbency. *Select from menu: [Mandatory] [Optional] [NA]*
24	For convertible instruments, specifies instrument type convertible into. Helps to assess loss absorbency. *Select from menu: [Common Equity] [Noncumulative preferred] [Cumulative Perpetual Preferred] [Noncumulative Convertible Preferred] [Cumulative Convertible Preferred] [Cumulative Dated Preferred] [Non-controlling (minority) interest] [Subordinated debt] [Other]*
25	If convertible, specify issuer of instrument into which it converts. *Free text*
26	Specifies whether there is a write down feature. Helps to assess loss absorbency. *Select from menu: [Yes] [No]*
27	Specifies the trigger at which write-down occurs, including point of non-viability. *Free text*
28	Specifies whether the instrument is written down fully or partially. Helps assess the level of loss absorbency at write-down.

	Select from menu: [Partial] [Full] [NA]
29	For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss absorbency. *Select from menu: [Permanent] [Temporary] [NA]*
30	For instrument that has a temporary write-down, description of write-up mechanism. *Free text*
31	Specifies instrument to which it is most immediately subordinate. Helps to assess loss absorbency on gone-concern basis. *Select from menu: [Noncumulative perpetual preferred] [Cumulative Perpetual Preferred] [Noncumulative Convertible Preferred] [Cumulative Convertible Preferred] [Cumulative Dated] [Minority Interest] [Subordinated Debt]*
32	Specifies whether there are non-compliant features. *Select from menu: [Yes] [No]*
33	If there are non-compliant features, asks firm to specify which ones. Helps to assess instrument loss absorbency. *Free text*

Annex 4

Disclosure template during the transition phase

54. The proposed template for use during the transition phase is the same as the steady state disclosure template set out in Section 1 except for the following additions (all of which are highlighted in the template below using cells with dotted borders and capitalised text):

- A new column has been added for banks to report the amount of each regulatory adjustment that is subject to the existing national treatment during the transition phase (labelled as the “pre-Basel III treatment”).
  - Example 1: In 2014 banks will be required to make 20% of the regulatory adjustments in accordance with Basel III. Consider a bank with “Goodwill, net of related tax liability” of $100 mn and assume that the bank is in a jurisdiction that does not currently require this to be deducted from common equity. The bank would report $20 mn in the first of the two empty cells in row 8 and report $80 mn in the second of the two cells. The sum of the two cells will therefore equal the total Basel III regulatory adjustment.

- While the new column shows the **amount** of each regulatory adjustment that is subject to the existing national treatment, it is necessary to show how this amount is included under existing national treatment in the calculation of regulatory capital. Therefore, new rows have been added in each of the three sections on regulatory adjustments to allow each jurisdiction to set out their existing national treatment.
  - Example 2: Assume that the bank described in the bullet point above is in a jurisdiction that currently requires goodwill to be deducted from Tier 1. This jurisdiction would insert a new row in between rows 41 and 42, to indicate that during the transition phase some goodwill will continue to be deducted from Tier 1 (in effect Additional Tier 1). The $80 mn that the bank had reported in the last cell of row 8, would then need to be reported in this new row inserted between rows 41 and 42.

55. In addition to the phasing-in of some regulatory adjustments described above, the transition period of Basel III will in some cases result in the phasing-out of previous prudential adjustments. In these cases the new rows added in each of the three sections on regulatory adjustments should be used by jurisdictions to set out the impact of the phase-out.

  - Example 3: Consider a jurisdiction that currently filters out unrealised gains and losses on holdings of AFS debt securities and consider a bank in that jurisdiction that has an unrealised loss of $50 mn. The transitional arrangements require this bank to recognise 20% of this loss (ie $10 mn) in 2014. This means that 80% of this loss (ie $40 mn) is not recognised. The jurisdiction would therefore include a row between rows 26 and 27 that allows banks to add back this unrealised loss. The bank would then report $40 mn in this row as an addition to Common Equity Tier 1.

- To take account of the fact that the existing national treatment of a Basel III regulatory adjustment may be to apply a risk weighting, jurisdictions would also be able to add new rows immediately prior to the row on risk weighted assets (row 60). These rows would need to be defined by each jurisdiction to list the Basel III regulatory adjustments that are currently risk weighted.

– Example 4: Consider a jurisdiction that currently risk weights defined benefit pension fund net assets at 200% and in 2014 a bank has $50 mn of these assets. The transitional arrangements require this bank to deduct 20% of the assets in 2014. This means that the bank will report $10 mn in the first empty cell in row 15 and $40 mn in the second empty cell (the total of the two cells therefore equals the total Basel III regulatory adjustment). The jurisdiction would disclose in one of the inserted rows between row 59 and 60 that such assets are risk weighted at 200% during the transitional phase. The bank would then report a figure of $80 mn ($40 mn * 200%) in that row.

Basel III common disclosure template to be used during the transition of regulatory adjustments (ie from 1 January 2013 to 1 January 2018)			AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus		
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*		
	Public sector capital injections grandfathered until 1 January 2018		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**		
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]		
	OF WHICH: …		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**		
29	**Common Equity Tier 1 capital (CET1)**		

Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 4) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 capital before regulatory adjustments**	
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: …	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	**Total regulatory adjustments to Additional Tier 1 capital**	
44	**Additional Tier 1 capital (AT1)**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	*Directly issued capital instruments subject to phase out from Tier 2*	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 4 or 31) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	*of which: instruments issued by subsidiaries subject to phase out*	
50	Provisions	
51	**Tier 2 capital before regulatory adjustments**	
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: …	
57	**Total regulatory adjustments to Tier 2 capital**	
58	**Tier 2 capital (T2)**	
59	**Total capital (TC = T1 + T2)**	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: …	
60	**Total risk weighted assets**	
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	
62	Tier 1 (as a percentage of risk weighted assets)	
63	Total capital (as a percentage of risk weighted assets)	

64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	
65	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	
	National minima (if different from Basel 3)	
66	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	
67	National Tier 1 minimum ratio (if different from Basel 3 minimum)	
68	National total capital minimum ratio (if different from Basel 3 minimum)	
	Amounts below the thresholds for deduction (before risk weighting)	
69	Non-significant investments in the capital of other financials	
70	Significant investments in the common stock of financials	
71	Mortgage servicing rights (net of related tax liability)	
72	Deferred tax assets arising from temporary differences (net of related tax liability)	
	Applicable caps on the inclusion of provisions in Tier 2	
73	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
74	Cap on inclusion of provisions in Tier 2 under standardised approach	
75	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
76	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
77	*Current cap on CET1 instruments subject to phase out arrangements*	
78	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	
79	*Current cap on AT1 instruments subject to phase out arrangements*	
80	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	
81	*Current cap on T2 instruments subject to phase out arrangements*	
82	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	