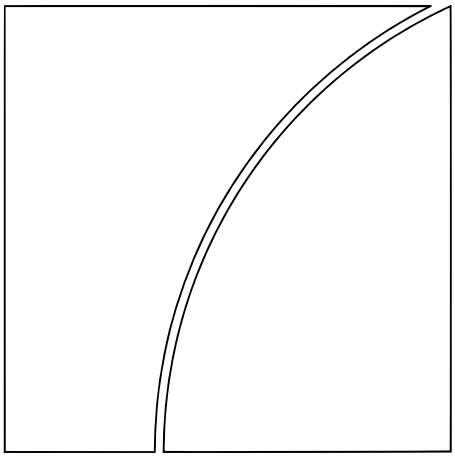
Basel Committee on Banking Supervision

# LEV

# Leverage ratio

## LEV20

## Calculation



This chapter describes how to calculate the leverage ratio.

**Version effective as of 15 December 2019**

First version in the format of the consolidated framework.

BANK FOR INTERNATIONAL SETTLEMENTS

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**20.1**

The Basel III leverage ratio is intended to:

1. restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and
2. reinforce the risk-based capital requirements with a simple, non-risk-based "backstop" measure.

**20.2**

The Basel Committee is of the view that:

1. a simple leverage ratio framework is critical and complementary to the risk-based capital framework; and
2. a credible leverage ratio is one that ensures broad and adequate capture of both the on- and off-balance sheet sources of banks' leverage.

**20.3**

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

$$Leverage\,ratio = \frac{capital\,measure}{exposure\,measure}$$

**20.4**

The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework as defined in CAP10 taking account of the transitional arrangements. In other words, the capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applying at that time under the risk-based framework.

**20.5**

A bank's total exposure measure is the sum of the following exposures, as defined in LEV30:

1. on-balance sheet exposures;
2. derivative exposures;
3. securities financing transaction exposures; and
4. off-balance sheet items.

**20.6**

Banks must meet a 3% leverage ratio minimum requirement at all times.