Basel Committee on
Banking Supervision

LEV

Leverage ratio

LEV20

Calculation

This chapter describes how to calculate the leverage ratio and the minimum requirements.

Version effective as of 01 January 2023

Calculation frequency specified for reporting and disclosure purposes. Also takes account of the revised implementation date announced on 27 March 2020.

BANK FOR INTERNATIONAL SETTLEMENTS

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 a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that the leverage should adequately capture both the on- and off-balance sheet sources of banks’ leverage.

20.3

The 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 Tier 1 capital – comprising Common Equity Tier 1 and/or Additional Tier 1 instruments – as defined in CAP10. In other words, the capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applicable at that time under the risk-based framework. The exposure measure for the leverage ratio is defined in LEV30.

20.5

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

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

20.6

Both the capital measure and the exposure measure are to be calculated on a quarter-end basis. However, banks may, subject to supervisory approval, use more frequent calculations (eg daily or monthly averaging) as long as they do so consistently.

20.7

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