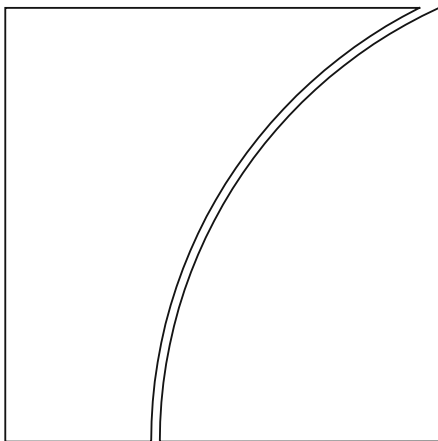


Basel Committee on Banking Supervision



Regulatory Consistency Assessment Programme (RCAP)

Assessment of the leverage ratio framework – United Kingdom

October 2026



This publication is available on the BIS website (www.bis.org).

© *Bank for International Settlements 2026. All rights reserved. Brief excerpts may be reproduced or translated provided the source is stated.*

ISBN 978-92-9259-993-5 (online)

Contents

Glossary	1
Preface	2
Executive summary	3
Response from the UK authorities	4
1 Assessment context.....	5
1.1 Regulatory system	5
1.2 Status of implementation of the leverage ratio framework.....	7
1.3 Scope of the assessment	7
2 Assessment findings	8
2.1 Assessment grades and summary of findings.....	8
2.2 Detailed assessment findings.....	9
2.3 Observations.....	12
Annexes	15
Annex 1 RCAP Assessment Team and Review Team.....	15
Annex 2 List of Basel standards and implementing regulations issued by the UK authorities	16
Annex 3 Materiality assessment	19
Annex 4 Issues for follow-up RCAP assessments	20
Annex 5 Areas where UK rules are stricter than the Basel standards	21
Annex 6 National discretions implemented by UK authorities	22
Annex 7 Key leverage indicators of the banking system in the UK.....	23

Glossary

ALRB	Additional leverage ratio buffer
C	Compliant (grade)
CCF	Credit conversion factor
CCLB	Countercyclical leverage ratio buffer
CET1	Common equity Tier 1
CRR	EU Capital Requirements Regulation
D-SIBs	Domestic systemically important banks
FPC	Bank of England's Financial Policy Committee
G-SIBs	Global systemically important banks
LC	Largely compliant (grade)
LEV	Leverage ratio framework
LR	Leverage ratio
NC	Non-compliant (grade)
PNC	Partially non-compliant (grade)
PRA	UK Prudential Regulation Authority
PSE	Public sector entity
RCAP	Regulatory Consistency Assessment Programme
RFB	Ring-fenced body
SFT	Securities financing transactions
SME	Small and medium-sized enterprise
SS	Supervisory Statement by the UK's PRA

Preface

The Basel Committee on Banking Supervision places a high priority on the implementation of regulatory standards underpinning the Basel III framework. The prudential benefits from adopting Basel standards can only fully accrue if they are implemented in a full, timely and consistent manner by all member jurisdictions. The Basel Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel III framework.

This report presents the findings of an RCAP Assessment Team (Assessment Team) on the adoption of the Basel leverage ratio framework (LEV) in the United Kingdom. The assessment focused on the completeness and consistency of UK leverage ratio regulations with the Basel standards and relied on information provided by the UK authorities.

The Assessment Team was led by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority (HKMA), and comprised technical experts from the Central Bank of Brazil, the Reserve Bank of India, Sveriges Riksbank and the Bank of Spain (see Annex 1). The main counterpart for the assessment was the Prudential Regulation Authority (PRA). The work was coordinated by the Basel Committee Secretariat, with support from staff of the HKMA.

The assessment began in October 2025 and comprised: (i) a self-assessment by the PRA (October 2025 to January 2026); (ii) an assessment phase (January to June 2026); and (iii) a review phase (July to October 2026) including a review of the Assessment Team's findings by a separate RCAP Review Team and the Basel Committee. This assessment report ultimately reflects the view of the Basel Committee.

The Assessment Team acknowledges the cooperation received from the PRA throughout the assessment process.

Executive summary

In the United Kingdom, the Basel leverage ratio standard has been implemented through the *"Leverage Ratio – Capital Requirements and Buffers"* (as of 1 January 2026) and *"Leverage Ratio Capital Requirement Regulation (CRR)"* Parts of the PRA Rulebook (as of 5 August 2024). The leverage ratio standard is applied to banks above certain size thresholds in the United Kingdom.

Overall, as of 30 June 2026, the regulations implementing the leverage ratio framework in the United Kingdom are assessed as largely compliant with the Basel Committee standards. This is one notch below the highest overall grade.

Two of the four components of the Basel leverage ratio standard (definitions and application, and calculation; and disclosure requirements) are assessed as compliant. One component (exposure measurement) is assessed as partially non-compliant, and one component (buffer requirements and transitional arrangements for global systemically important banks (G-SIBs)) is assessed as largely compliant.

The exposure measurement grade is driven by one material finding: the Basel standards permit the temporary exemption of central bank reserves from the leverage ratio exposure measure, whereas the United Kingdom's exemption extends to certain other non-reserve claims on central banks. Other deviations relating to the exposure measure were assessed as not material.

The buffer requirements grade reflects two potentially material findings: (i) the UK leverage buffer design can be less conservative than the Basel G-SIB leverage buffer in certain situations; and (ii) the absence of automatic capital distribution restrictions when the leverage ratio buffer is not met, with the UK framework relying instead on supervisory intervention.

The Assessment Team noted that, in several areas, the UK rules go beyond the minimum Basel requirements (see Annex 5). In accordance with the RCAP Handbook, such stricter rules have not been taken into account as mitigants for the overall or component-level assessment of compliance.

The Assessment Team took note of the package of proposed changes to the UK leverage framework announced by the Financial Policy Committee (FPC) on 7 July 2026. The foreseen revisions do not form part of this assessment and are identified as a follow-up item (see Annex 4).

Response from the UK authorities

The UK authorities thank the RCAP Assessment Team, led by Mr Arthur Yuen, for their professionalism, openness and constructive engagement throughout the review. We welcome the opportunity to respond to the report's findings on the implementation of the Basel RCAP leverage ratio (LR) framework.

The PRA acknowledges and shares the Assessment Team's overall assessment of "largely compliant". We consider that all minimum standards of the international framework are substantially met with no significant differences that could materially impact financial stability or the international level playing field.

One of the four components (related to exposure measurement) of the Basel leverage ratio standard is assessed as partially non-compliant while another (related to buffer requirements) is assessed as largely compliant.

The exposure measurement component grade is driven in large part by the broader scope of the United Kingdom's temporary exemption for certain central bank claims from the exposure measure. As the report notes, the PRA considers the broader scope to be consistent with the purpose of the corresponding Basel standard because it ensures that the leverage ratio remains neutral to the choice of monetary policy measures and seeks to avoid an unintended side effect that could impede the central bank's ability to reduce system-wide reserves and implement monetary policy and rate control effectively.

The component grade for buffer requirements is driven by two findings that relate to the calibration and structure of the UK leverage buffers (additional leverage ratio buffer and countercyclical leverage ratio buffer) and the absence of automatic capital distribution restrictions. The current calibration of the UK LR buffers is designed to ensure consistent functioning of the leverage and risk-weighted frameworks, and to support buffer usability. In addition, buffer usability is enhanced by the absence of automatic distributions, replaced with the use of PRA supervisory powers as needed. This supervisory judgment also reduces the complexity of the framework.

The Assessment Team has also acknowledged that, in several areas, the UK rules go beyond the minimum Basel requirements.

In conclusion, we would like to reiterate our commitment to the RCAP process. Assessment of the implementation of international standards across jurisdictions is an important exercise in promoting transparency, financial stability and a level international playing field.

On 7 July 2026, the Financial Policy Committee announced a package of proposed changes to the UK leverage framework.¹ While, at the time this report was finalised, these changes have not been consulted on or finalised, they have been designed to maintain the overall resilience of the UK banking system, and further align the structure and calibration of buffer requirements for internationally active firms with the Basel standard.

¹ See Bank of England, *Financial Policy Committee record*, July 2026, www.bankofengland.co.uk/financial-policy-committee-record/2026/july-2026.

1 Assessment context

1.1 Regulatory system

The Bank of England (the Bank) is the United Kingdom's central bank responsible for monetary policy and financial stability. The Prudential Regulation Authority (PRA) is the part of the Bank responsible for the micro-prudential supervision of UK banks, building societies and designated investment firms. UK government legislation – principally the Financial Services and Markets Act 2000 (FSMA) – sets the framework within which the PRA exercises its responsibilities² and empowers the PRA to set technical rules through its regulatory rulebook.

The rules in the PRA Rulebook are legally binding requirements made and enforced by the PRA. They are supplemented by statements of policy (SoPs), which detail the PRA's approach to the exercise of its statutory functions, and supervisory statements (SS) which guide firms as to how to comply with rules in a way that will meet PRA supervisory expectations. Non-adherence to the guidance set out in the SS is not in itself a breach of the PRA Rulebook and, on its own, would not entitle the PRA to take enforcement action against a firm. Nevertheless, serious or persistent non-compliance with guidance is likely to affect the PRA's supervisory reaction, eg when assessing capital requirements, internal models or applications for permission. The nature and extent of non-adherence may also provide the prudential justification for a range of early intervention measures available to the PRA under FSMA. These include extensive information gathering and investigation powers under sections 167 and 168 of FSMA and, under section 55M of FSMA, the power to impose "firm-specific requirements" that have the force of rules in relation to individual firms.

While the United Kingdom was part of the European Union, the EU Capital Requirements Regulation 575/2013 (EU CRR)³ was directly applicable UK law and, as such, a key source of prudential requirements for banks, building societies and designated investment firms. Alongside FSMA, the Financial Policy Committee (FPC) Direction (see below) and PRA rules, it was also a significant mechanism through which Basel standards were implemented in the United Kingdom. One consequence of exiting the European Union is that the EU CRR no longer applies automatically in the United Kingdom and a method of bringing this into UK law has had to be devised. On exit, a large body of EU law was transferred into UK legislation, including many elements which apply to the financial services sector. In particular, the prevailing version of the EU CRR and related instruments were transferred into UK law. This is referred to as the "assimilated CRR" or "UK CRR".⁴

The UK legislation following exit from the European Union also envisages a process in which the assimilated CRR could – over time and subject to oversight by His Majesty's Treasury – be revoked from UK law and replaced with corresponding rules in the PRA Rulebook. Indeed, following exit, some aspects of the assimilated CRR – eg Basel 3.1 leverage ratio changes – were deemed suitable for immediate transposition into PRA rules without first being transferred to the assimilated CRR. This has been the case for key assimilated CRR provisions related to the leverage ratio framework. Other assimilated CRR provisions remain applicable to UK firms, although these will be deleted and replaced by PRA rules in due course.

² See Financial Services and Markets Act 2000.

³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

⁴ Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Application of UK laws and regulatory instruments

Table 1

Laws that empower the PRA as banking supervisor and prudential rule-maker	Financial Services and Markets Act 2000
UK laws that assimilate requirements originally issued by the European Union	Assimilated EU law, including the assimilated CRR Assimilated EU regulatory technical standards
Regulatory instruments issued by the PRA	The PRA Rulebook
Guidance issued by the PRA	Supervisory statements (SS) Statements of policy (SoP)

The term “UK rules” in this report refers to assimilated EU law, including the assimilated CRR, and the PRA Rulebook. More information is provided in Annex 2.

The role of the Financial Policy Committee

In addition, the FPC of the Bank of England, created in 2013, plays an important macroprudential role in relation to the leverage ratio. In contrast to the PRA, which is responsible for the safety and soundness of individual institutions, the primary objective of the FPC is to contribute to the achievement of the Bank’s financial stability objective. Under UK banking legislation,⁵ the FPC has the power to direct the PRA and the Financial Conduct Authority. The FPC may also make recommendations (to anybody). Where the PRA receives a direction, it must comply as soon as practicable. Many PRA rules on the leverage ratio derive from the response to the FPC’s steering (“FPC’s direction”) or recommendation and pre-date the United Kingdom’s exit from the European Union.

The United Kingdom’s leverage ratio framework should therefore be seen as a combination of:

- an FPC’s direction to the PRA over the leverage ratio;
- PRA rules, including rules to implement the FPC’s direction on the leverage ratio;
- UK primary legislation; and
- PRA supervisory and policy publications and supervisory practice.

PRA rules

The PRA Rulebook is divided into topic areas called “Parts”. Central to the leverage ratio framework are the “*Leverage Ratio – Capital Requirements and Buffers*” and “*Leverage Ratio (CRR)*” Parts of the PRA Rulebook. These are supplemented by relevant sections of the “*Reporting and Disclosure*” Parts of the PRA Rulebook. A number of non-binding PRA policy publications clarify or further explain the framework. This includes Supervisory Statement (SS) 45/15 which sets out guidance and expectations for banks across leverage ratio capital requirements, buffers and reporting.

In the United Kingdom, the leverage ratio becomes a binding Rulebook requirement only if a bank crosses at least one of two size thresholds:⁶ retail deposits of at least £75 billion or foreign (non-UK) assets of at least £10 billion. The thresholds are tested at the relevant level for each type of entity, as follows:

⁵ The FPC was created by amendment to the Bank of England Act 1998, as part of a package of UK post-Great Financial Crisis reforms.

⁶ This criterion is calculated as the arithmetic mean of the corresponding metric over the three most recent accounting reference dates. Where the firm has existed for less than three years, the calculation is based on the period of its existence.

- A “CRR firm” is a UK-authorised bank, building society or PRA-designated investment firm. For a CRR firm, the thresholds are tested at an individual (solo) level.
- A “CRR consolidation entity” is the UK prudential parent responsible for group-wide prudential requirements. In UK law, this will be the UK parent financial holding company or mixed financial holding company; if no such holding company exists, the UK parent institution (ie the top UK bank itself) acts as the consolidation entity. For a “CRR consolidation entity”, the thresholds are tested at a consolidated level.
- A “ring-fenced body” is a UK retail bank within the ring-fencing regime, that is, the UK legal requirement to separate core retail banking activities into a dedicated ring-fenced perimeter. The thresholds are tested at that ring-fenced body (RFB) sub-consolidated level to decide whether the ring-fenced perimeter as a whole must meet a binding leverage ratio at that level.

1.2 Status of implementation of the leverage ratio framework

Since 2013, the United Kingdom used the European Union’s CRR leverage exposure rules for disclosure, then in April 2015 the Bank of England’s FPC was given powers over the leverage ratio and, ahead of Basel and the European Union, a binding leverage ratio requirement for major UK banks took effect in 2016. Following Brexit, the United Kingdom “on-shored” the updated EU leverage exposure rules (CRR2) into its own PRA Rulebook (ie “*Leverage Ratio – Capital Requirements and Buffers*” and “*Leverage Ratio (CRR)*” Parts) in 2021, removing elements not relevant in the United Kingdom, while other EU-derived provisions relevant to the leverage framework are being revoked and replaced progressively.

1.3 Scope of the assessment

The Assessment Team considered the leverage ratio framework (LEV) applicable to a sample of internationally active banks in the United Kingdom as of 30 June 2026. The assessment had two dimensions:

- a comparison of the UK regulations with the Basel LEV standards to ascertain that all the required provisions have been adopted (completeness of the regulations); and
- whether there are any differences in substance between the UK regulations and the Basel LEV and, if so, their significance (consistency of the regulations).

In its assessment, the Assessment Team considered all binding documents that effectively implement the Basel LEV in the United Kingdom. Annex 2 lists the Basel standards used as the basis for the assessment. The assessment did not evaluate the resilience of the banking system in the United Kingdom, or the supervisory effectiveness of the UK authorities.

The Assessment Team evaluated the materiality and potential materiality of identified deviations between the Basel LEV and the UK regulations. The evaluation was made using a sample of five internationally active UK banks. Together, as of 30 June 2025, these banks comprised about 64.6% of the assets of internationally active banks in the United Kingdom. In addition, the Assessment Team reviewed the non-quantifiable impact of identified deviations and applied expert judgment as to whether the UK LEV regulations meet the Basel standards in letter and in spirit. The materiality assessment is summarised in Annex 3, which also lists the sample of banks.

The Assessment Team noted that, in some areas, the UK rules go beyond the minimum Basel standards (see Annex 5). Although they provide a more rigorous implementation of the Basel Framework, they have not been taken into account for the assessment of compliance.

The outcome of the assessment is summarised using a four-grade scale, both at the level of each of the four key components of the Basel leverage ratio framework and of the overall assessment of compliance. The four grades are compliant (C), largely compliant (LC), partially non-compliant (PNC) and

non-compliant (NC). The overall grade reflects the level of compliance with the leverage ratio framework, but not with the Basel standards on the definition of the capital, which determines the leverage ratio's numerator. Compliance with the Basel standards on the definition of capital has been assessed within the context of and as a component of the RCAP Risk-Based Capital assessment of the European Union concluded in 2014 and was graded largely compliant.⁷

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the Basel LEV in the United Kingdom to be largely compliant. This grade is based on the materiality assessment as summarised in Annex 3.

Assessment grades

Table 2

Component of the Basel leverage ratio framework	Grade
Overall grade	LC
Definitions and application, and calculation	C
Exposure measurement	PNC
Buffer requirements and transitional arrangements for global systemically important banks	LC
Disclosure requirements	C

Assessment scale: C (compliant), LC (largely compliant), PNC (partially non-compliant) and NC (non-compliant).

2.1.1 Definitions and application, and calculation

This component is assessed as compliant with the Basel standard. No findings were identified.

2.1.2 Exposure measurement

This component is assessed as partially non-compliant with the Basel standard. One material finding and several not material findings were identified. The material finding stems from the broader scope of the UK temporary exemption for certain central bank claims from the exposure measure under LEV30.7. Other findings (eg additional on-balance sheet exclusions and certain credit conversion factor (CCF) treatments for contingent items and commitments) were assessed as not material.

2.1.3 Buffer requirements and transitional arrangements for G-SIBs

This component is assessed as largely compliant with the Basel standard. Two potentially material findings were identified: (i) the calibration and structure of the UK leverage buffers (ALRB and CCLB) can be less conservative than the Basel global systemically important bank (G-SIB) leverage buffer in some states of the cycle; and (ii) the UK framework does not impose automatic capital distribution restrictions when the leverage ratio buffer is not met, relying instead on supervisory action.

⁷ See Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) assessment of Basel III regulations – European Union*, 2014, www.bis.org/bcbs/publ/d300.pdf.

2.1.4 Disclosure requirements

This component is assessed as compliant with the Basel standard. One not material finding was identified, relating to the frequency and scope of leverage ratio disclosures (quarterly disclosure of selected metrics rather than full templates).

2.2 Detailed assessment findings

2.2.1 Definitions and application, and calculation

This component is assessed as compliant with the Basel standard. No findings were identified.

2.2.2 Exposure measurement

Section grade	Partially non-compliant
Basel paragraph number	LEV30.7 Central bank reserves exemption
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429a(A1) and (A2)
Finding	LEV30.7 allows that under exceptional macroeconomic circumstances, and to facilitate the implementation of monetary policies, a jurisdiction may temporarily exempt central bank reserves from the leverage ratio exposure measure. The Bank of England has exercised the national discretion since 2017 (see Section 2.3 for details). Under the UK framework, the scope of the exemption is broader than envisaged in the Basel standard. In addition to domestic reserves, banks may exclude certain non-reserve claims on the Bank of England. These include banknotes and coins and other assets representing debt claims on a central bank with a remaining maturity of no longer than three months (eg central bank bills). The exemption also extends, under the same conditions, to certain claims on foreign central banks. As with reserves, any claim exempted under this discretion must be matched by a liability in the same currency with the same or longer maturity. The PRA regards this broader scope as consistent with the purpose of LEV30.7 because it ensures that the leverage ratio remains neutral to the choice of monetary policy measures. One of these measures is a tool to “drain” reserves by swapping them for non-reserve central bank claims. If non-reserve central bank claims were included in the leverage exposure measure while reserves were excluded, swapping reserves into those non-reserve claims would mechanically increase banks’ exposure measure, thereby tightening their leverage ratios. In the PRA’s view, this would be an unintended side effect that could discourage participation in reserve-draining operations and thereby impede the central bank’s ability to reduce system-wide reserves and implement monetary policy and rate control effectively. Based on data provided by the PRA, the weighted average impact of the broader exemption for non-reserve claims on the Bank of England and other foreign central banks is estimated at 0.78% of the Basel leverage exposure measure, with a maximum individual impact of 1.7%. While UK rules impose prudent conditions, such as matching by maturity, that are stricter than the Basel text, the RCAP assessment methodology does not recognise super-equivalent elements as offsets for deviations elsewhere. Against this background, the Assessment Team assesses the broader scope as a material deviation from the Basel LEV standard.
Materiality	Material
Basel paragraph number	LEV30.8 On-balance sheet exposures
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429a (1)(q); Exposures with RW of 0% assigned: Article 429a(1)(c); Public sector entity exposures that meet certain conditions: Article 429a(1)(j) UK CRR: Exposures with RW of 0% assigned: Article 113(6); Public sector entity (PSE) exposures that meet certain conditions: Article 116(4)

Finding	LEV 30.8 prescribes inclusion of all balance sheet assets by banks in their leverage ratio exposure measure. The PRA Rulebook provides additional exclusions not set out in LEV30.8: 1. <u>Certain 0% risk-weighted intragroup exposures</u>, with PRA permission. The PRA may permit certain intragroup on-balance sheet assets with a 0% risk weight under the credit risk framework to be excluded, subject to restrictive conditions. These include full consolidation, UK establishment, and no material legal or practical impediments to the prompt transfer of own funds or repayment of liabilities. Permissions are required under both the credit risk and leverage frameworks. The PRA highlights the restrictive conditions surrounding the use of this exemption, and notes that the exemption has no effect at the top consolidated level. 2. <u>Specific public sector entity (PSE) deposit exposures</u>, with PRA permission. The PRA Rulebook allows banks to exempt exposures to PSEs from the leverage ratio, subject to two preconditions: (i) The PRA designates the relevant PSE exposures as equivalent to UK central government exposures under the risk-based framework (UK CRR Article 116). (ii) These exposures must arise from deposits that banks are legally obliged to transfer to the PSE to fund general interest investments, ie they must be embedded in a specific legal mechanism. The PRA has never exercised this discretion and has stated explicitly in its Basel III implementation policy that it has no plans to designate PSE exposures as equivalent to UK central government exposures. 3. <u>State-guaranteed small and medium-sized enterprise (SME) loans under Covid-era schemes</u>. The PRA introduced temporary exclusion for these exposures in 2020. The remaining balances are small and continue to amortise. The Assessment Team notes that this measure has a clear date of expiration and that many jurisdictions have adopted Covid-era relief measures that mitigate level-playing field concerns. The Assessment Team notes that the intragroup exemption can affect leverage requirements at solo or sub-consolidated levels but agrees that it has no impact at the top consolidated level. For the other two deviations, sample banks report zero impact, and the PRA's stated policy indicates these exclusions are either unused (PSEs) or winding down (state-guaranteed SME loans) and are not expected to grow. The Assessment Team assesses this deviation as not material.
Materiality	Not material
Basel paragraph number	LEV30.51 Credit conversion factor (CCF) for transaction-related contingent items
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429f(1)
Finding	LEV30.51 assigns a 50% CCF to transaction-related contingent items. The United Kingdom designates some of these items as "medium/low risk" and applies a 20% CCF under UK CRR Article 111(1)(c) for leverage calculations. This lower rate may understate leverage exposure relative to Basel standards. The PRA argues that this smaller CCF is appropriate, citing empirical evidence from the International Chamber of Commerce and Global Credit Data. The weighted average impact of this deviation on the leverage ratio exposure measure across the PRA's sample banks is 0.2%, rising to an impact of 0.4% on the most affected bank. The Assessment Team assesses this deviation as not material.
Materiality	Not material
Basel paragraph number	LEV30.52 CCF for commitments
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429f(1)
Finding	LEV30.52 requires a 40% CCF for commitments irrespective of maturity (unless a lower CCF applies, eg 10% for unconditionally cancellable commitments (UCC)). The United Kingdom applies maturity-based CCFs (50% for >1 year; 20% for ≤1 year) via UK CRR Article 111(1), ie a lower CCF than in the Basel standard for short-term commitments under one year. The PRA indicates that these CCFs will be superseded under the UK

	implementation of Basel III.⁸ The published framework, which becomes effective from 1 January 2027, introduces a 40% CCF, at which point the existing deviation will be fully removed. Sample banks could not capture this information at the required granularity, citing the difficulty of matching the UK maturity-based categorisation and the Basel one (ie application of a 40% CCF if the commitment is ineligible for a lower CCF). The PRA expects the difference between the two categorisations to be immaterial. In view of these elements, and also considering the expected revisions, the Assessment Team assesses this deviation as not material.
Materiality	Not material

2.2.3 Buffer requirements and transitional arrangements for GSIBs

Section grade	Largely compliant
Basel paragraph number	LEV40.2 Calibration of the leverage ratio buffer
Reference in the domestic regulation	Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook – Part 4A.1 and 4A.2
Finding	LEV40.2 sets a leverage ratio buffer for G-SIBs equal to 50% of the G-SIB risk-based buffer requirement, with associated capital conservation constraints tied to the leverage ratio. In addition, G-SIBs must meet the leverage ratio buffer with Tier 1 capital. The United Kingdom replaces the single Basel G-SIB leverage buffer with an additional leverage ratio buffer (ALRB), set at 35% of the applicable risk-based buffer for G-SIBs and domestic systemically important banks (D-SIBs). In addition, a countercyclical leverage ratio buffer (CCLB), set at 35% of the bank-specific countercyclical buffer (CCyB), applies to all banks within the scope of the UK leverage ratio regime. Banks must meet the UK buffers with Common Equity Tier 1 (CET1). The PRA argues that this 35% “conversion factor” is designed to ensure the leverage and risk-weighted frameworks evolve in line with each other, preventing the leverage ratio becoming disproportionately binding as risk-weighted assets change. In addition, operating a CCLB alongside the CCyB allows both buffers to be released during downturns, supporting buffer usability. The UK leverage ratio buffer (ALRB and CCLB as currently set) is currently more conservative than the Basel leverage buffer for one G-SIB in the UK sample; the other two show a lower UK buffer than the Basel buffer. For these banks, converting the UK CET1 buffer into a Tier 1-equivalent using banks’ CET1/Tier 1 ratio shows that their effective UK G-SIB leverage ratio buffer would exceed the Basel 50% buffer. However, outcomes are cycle-dependent. In a hypothetical state in which the countercyclical capital buffer would be set at zero, the United Kingdom’s ALRB set at 35% of the applicable risk-based buffer would be less conservative than the Basel leverage buffer calibrated at 50% of the G-SIB risk-based buffer. The PRA indicates that such a scenario is largely theoretical, given the FPC’s stated preference for a positive, cycle-neutral CCyB rate. Overall, the Assessment Team acknowledges that the UK leverage ratio buffers are currently more conservative but considers that this conservativeness is cycle-dependent. Therefore, the Assessment Team assesses this deviation as potentially material.
Materiality	Potentially material
Basel paragraph number	LEV40.3 Capital distribution constraints on G-SIBs
Reference in the domestic regulation	Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook – Part 5.1(1) and (2), and 6

⁸ See Prudential Regulation Authority, “Implementation of Basel 3.1: final rules”, *Policy Statement*, number 26, 2026, www.bankofengland.co.uk/prudential-regulation/publication/2026/january/implementation-of-the-basel-3-1-final-rules-policy-statement.

Finding	Where a bank does not meet its leverage ratio buffer, LEV40.3 requires minimum capital conservation ratios across five ranges and imposes automatic capital distribution constraints linked to the leverage ratio. The UK framework does not impose automatic leverage-based distribution restrictions when a leverage buffer is not met. Instead, firms must notify the PRA and submit a capital plan within five business days, and the PRA may use its supervisory powers to restrict distributions where appropriate. The PRA notes that, in practice, risk-weighted buffers for UK G-SIBs typically bind before leverage buffers and already carry automatic distribution constraints. This approach aims to avoid the complexity of managing two parallel sets of automatic constraints (one for leverage, one for risk-weighted requirements), and enhance the usability of leverage buffers. Accordingly, the United Kingdom relies on supervisory discretion rather than an automatic leverage-based mechanism. The Assessment Team acknowledges that the PRA's notification/capital plan requirements along with its supervisory powers, serve as a backstop where leverage buffers are breached. However, the absence of the distribution constraints set out in the Basel standard provides UK banks with a competitive advantage. As such, the deviation is assessed as potentially material.
Materiality	Potentially material

2.2.4 Disclosure requirements

Section grade	Compliant
Basel paragraph number	DIS80 Frequency of disclosures
Reference in the domestic regulation	Disclosure (CRR) Part of the PRA Rulebook - Article 433a(1)(b)(x) and 433(2)(a); Article 433a(4)
Finding	DIS80 prescribes a quarterly frequency for the publication of leverage ratio disclosures. The PRA Rulebook requires listed banks and G-SIBs to disclose leverage ratio templates semi-annually, and all other banks to do so annually. Additionally, all banks subject to leverage ratio requirements must disclose selected leverage ratio metrics quarterly. These metrics include the average leverage ratio, both including and excluding central bank claims, as well as the two UK-specific leverage ratio buffers: the countercyclical leverage ratio buffer; and if applicable, the additional leverage ratio buffer. However, these quarterly disclosures do not cover all items required in the full leverage ratio templates. The Assessment Team considers that these gaps are not significant enough to affect market discipline and thus assesses the deviation as not material.
Materiality	Not material

2.3 Observations

The following observations highlight certain special features of the regulatory implementation of the Basel leverage ratio framework in the United Kingdom. These are presented to provide additional context and information. Observations are considered compliant with the Basel standards and do not have a bearing on the assessment outcome.

2.3.1 Definitions and application, and calculation

Basel paragraph number	LEV10.1 Scope of application
Reference in the domestic regulation	Supervisory Statement, SS45/15 "The UK leverage ratio framework", Section 1.A.1 and Section 4
Observation	LEV10.1 states that the leverage ratio framework follows the same scope of regulatory consolidation as is used for the risk-based capital framework, as set out in the scope and definitions (SCO) standard. SCO10.2 states that the framework applies on a fully consolidated basis. SCO10.3 states that the Basel Framework also applies on a consolidated basis to all internationally active banks at every tier within a banking group

	(ie a sub-consolidated basis). Footnote 2 to SCO10.3 states that application of this framework to the stand-alone bank (ie solo basis) would achieve the same objective, providing the full book value of any investments in subsidiaries and significant minority-owned stakes is deducted from the bank's capital. As set out in Section 1.1 of this report, there are three categories to which the leverage ratio framework may apply: a CRR firm, a CRR consolidation entity and a ring-fenced body (RFB). Once a threshold is met, the leverage ratio applies on the basis relevant to that entity: on an individual (solo) basis for a CRR firm, on a consolidated basis for a CRR consolidation entity and on the ring-fenced – sub-consolidated – basis for an RFB. Regarding the RFB, if it crosses the threshold and is in scope, the requirement applies on the RFB on a sub-consolidated basis, ie to the ring-fenced perimeter, and banking subsidiaries inside that perimeter that themselves meet a threshold are also subject to solo leverage requirements. Outside the ring-fenced perimeter, PRA regulated entities that meet a threshold are, by default, subject to solo leverage requirements. However, the PRA may, by permission, disapply solo application for the "head" of a defined, non-ring-fenced subgroup and apply the leverage ratio on a sub-consolidated basis to that subgroup instead. In such cases, banking subsidiaries within the approved sub-consolidation that meet the thresholds remain subject to solo leverage requirements, and the top level, consolidated requirement remains in place. The waiver is subject to ex ante permission by the PRA – banks must notify changes and provide a quarterly self-assessment that the conditions continue to be met, and this permission applies only to the leverage ratio; risk-based capital requirements continue to apply on solo and consolidated bases.
--	---

2.3.2 Exposure measurement

Basel paragraph number	LEV30.7 Central bank reserves exemption
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429a(A1) and (A2)
Observation	LEV30.7 allows that under exceptional macroeconomic circumstances, and to facilitate the implementation of monetary policies, a jurisdiction may temporarily exempt central bank reserves from the leverage ratio exposure measure. When this discretion is exercised, the jurisdiction must also recalibrate the minimum leverage ratio requirement commensurately to offset the impact of exempting central bank reserves in order to maintain the same level of resilience, and banks must disclose the effect of the exemption. The Bank of England has exercised the national discretion since 2017. Under the UK framework, certain central bank claims, both domestic and foreign, are excluded from the leverage exposure measure if they are matched by liabilities in the same currency with identical or longer maturity. To offset this exemption, the minimum leverage ratio was recalibrated from 3% to 3.25% on 3 October 2017. The PRA indicates that the Financial Policy Committee (FPC), which determines the general policy orientation over the leverage ratio, reviews this exemption annually, including the appropriateness of calibration. UK banks must disclose leverage exposures and ratios both with and without reserves included. LEV30.7 requires that any exemption of central bank reserves be: (i) offset by a commensurate increase in the minimum leverage ratio to maintain the same level of resilience; and (ii) temporary in nature. The United Kingdom's fixed 25 bp add-on set in 2017 does not fully neutralise the subsequent growth in central bank reserves resulting from the implementation of the monetary policies. Effective since the introduction of the revised leverage ratio framework in 2017, the exemption has been publicly disclosed, subject to a governance process of periodic review and considered necessary by the PRA given the ongoing exceptional macroeconomic circumstances in the United Kingdom. As LEV30.7 does not prescribe a methodology for determining "commensurate" or define the duration or triggers for "temporary", the Assessment Team finds it difficult to draw a definite conclusion on the arrangement that should be in place for the exemption to be assessed as in compliance with the Basel requirements. Equally, regarding the application of the UK exemption to reserves at

	foreign central banks, the Assessment Team notes that LEV30.7 does not specify whether the exemption is intended to apply to such exposures.
Basel paragraph number	LEV30.16 Derivative exposures
Reference in the domestic regulation	Leverage Ratio (CRR) Part of the PRA Rulebook Article 429c(1)-(6), 429d
Observation	For the calculation of the exposure measure associated with derivatives, LEV30.16 refers to the standardised approach to counterparty credit risk (SA-CCR) defined in CRE52, with specifications for the leverage ratio purposes. The PRA allows banks to use the simplified SA-CCR, or the Original Exposure Method (OEM), for a large range of derivatives (listed in Annex II of the UK CRR), when these methods are also allowed for risk-based requirements. Although there is no requirement for ex ante authorisation, banks must notify the PRA when using these methods. Under risk-based requirements, simplified methods for counterparty credit risk may only be used where derivatives are below certain thresholds (£260 million and 10% of the total assets). These low thresholds make it highly unlikely that internationally active banks may use these non-Basel compliant, simplified methods.
Basel paragraph number	LEV30.56 Treatment of OBS securitisation exposures
Reference in the domestic regulation	UK CRR Article 248(1)(b)
Observation	Regarding off-balance sheet securitisation exposures, LEV30.56, in conjunction with CRE40.20(2), provides a national discretion. Specifically, it allows both the undrawn portion of servicer cash advances and facilities that are unconditionally cancellable without prior notice to receive the 10% CCF for unconditionally cancellable commitments that applies under the standardised approach to credit risk (CRE20). UK rules, however, apply a CCF of 0% to the nominal amount of the facility that is unconditionally cancellable provided certain conditions are met. As the treatment of off-balance-sheet securitisation exposure in the leverage ratio standard originates from the securitisation requirements outlined in CRE40, which have not been subject to a prior RCAP, it is treated as an observation, in accordance with the RCAP Handbook, and as a follow-up item for a future RCAP.

Annexes

Annex 1 RCAP Assessment Team and Review Team

Assessment Team Leader

Mr Arthur Yuen	Hong Kong Monetary Authority
----------------	------------------------------

Assessment Team members

Mr Fabiano Ruiz Dutra	Central Bank of Brazil
Ms Camilla Ferenius	Sveriges Riksbank
Mr Akhilesh Gokhale	Reserve Bank of India
Mr Diego Hernández	Bank of Spain

Supporting members

Mr Donald Chen	Hong Kong Monetary Authority
Mr Richard Chu	Hong Kong Monetary Authority
Mr Ivan Hui	Hong Kong Monetary Authority
Ms Amy Siu	Hong Kong Monetary Authority
Mr Carsten Folkertsma	Basel Committee Secretariat
Mr Pradeep Kumar	Basel Committee Secretariat
Ms Mathilde Lalaude-Labayle	Basel Committee Secretariat
Mr Noel Reynolds	Basel Committee Secretariat

Review Team members

Mr Stefan Hohl	Basel Committee Secretariat
Ms Alexandra Gebauer	German Federal Financial Supervisory Authority – BaFin
Mr Bülent Şevik	Turkish Banking Regulation and Supervision Agency
Ms Bingzhe Zhao	People's Bank of China

Annex 2 List of Basel standards and implementing regulations issued by the UK authorities

The RCAP-LEV assesses member jurisdictions' compliance with the Basel leverage ratio framework. The scope of RCAP-LEV includes:

- The revised leverage ratio as published by the Basel Committee in December 2017 that includes the various refinements to the 2014 definition of the leverage ratio exposure measure. These refinements include modifying the way in which derivatives are reflected in the exposure measure and updating the treatment of off-balance sheet exposures to ensure consistency with their measurement in the standardised approach to credit risk.
- The June 2019 revision to the leverage ratio related to the treatment of client cleared derivatives.
- The leverage ratio global systemically important bank (G-SIB) buffer introduced by the 2017 reforms. The G-SIB buffer must be met with Tier 1 capital and is set at 50% of a G-SIB's risk-weighted higher-loss absorbency requirements.
- The disclosure requirements for the leverage ratio, including the key prudential metrics related to that framework. This will capture the revisions to the LEV disclosure requirements published by the Basel Committee in June 2019 (the requirements for banks to disclose their leverage ratios based on quarter-end and on daily average values of securities financing transactions).

In accordance with this scope, the chapters of the consolidated Basel Framework listed in Table A.1 were used as the basis of this RCAP assessment.

Chapters of the Basel Framework	Table A.1
	Chapter
Definitions and application	LEV10
Calculation	LEV20
Exposure measurement	LEV30
Buffer requirements for global systemically important banks	LEV40
Transition	LEV90
Disclosure requirements (key metrics related to leverage ratio and disclosure requirements for the leverage ratio)	DIS20 (Template KM1, rows 13–14d) and DIS80

Table A.2 lists the regulations issued by the UK authorities to implement the Basel III leverage ratio framework in the United Kingdom. A previous RCAP assessment of the UK implementation of the Basel standards considered the binding nature of its regulatory documents.⁹ This RCAP Assessment Team did not repeat that assessment but instead relied on its findings. That assessment concluded that the types of instruments described in Table A.2 could be considered as binding on banks and supervisors for the purposes of an RCAP assessment.

⁹ See Section 1.2 and Annex 3 in Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel NSFR regulations – United Kingdom*, December 2025, www.bis.org/bcbis/publ/d602.pdf.

Overview of relevant Basel III regulations in the UK

Table A.2

Domestic regulations	Type, version and date
Leverage Ratio (CRR) Part of the PRA Rulebook	The PRA Rulebook: CRR Firms: Leverage Instrument 2021, PRA 2021/14. Annex D, inserted the Leverage Ratio (CRR) Part, effective 1 January 2022. Amended by: PRA Rulebook: CRR Firms: Leverage Ratio Instrument 2024, PRA 2024/6, effective from 5 August 2024.
Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook	Originally introduced as a UK-specific reform in PRA policy document PS27/15 – Implementing a UK leverage ratio framework, published in December 2015. The current post-CRR2 version was amended by: PRA Rulebook: CRR Firms: Leverage Instrument 2021, PRA 2021/14, effective 1 January 2022, Annex I came into force on 1 January 2023; PRA Rulebook: CRR Firms: Buffers Instrument 2025, PRA 2025/1, effective from 31 March 2025; PRA Rulebook: CRR Firms: Leverage Ratio – Capital Requirements and Buffers Instrument 2025, PRA 2025/23 effective from 1 January 2026.
Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook, in particular Chapter 11	ICAA, the PRA Rulebook Part dealing with CRR firms' (general) self-assessments for capital adequacy, was first introduced by the PRA Rulebook: CRR firms Instrument 2013/36 effective 1 January 2014. Chapter 11 amended by: PRA Rulebook Leverage Instrument 2021, PRA 2021/14, effective 1 January 2022.
Reporting (CRR) Part of the PRA Rulebook	Annex J of the PRA Rulebook (CRR) Instrument 2021, PRA 2021/13, came into force on 1 January 2022. The leverage-related reporting material was amended by: PRA Rulebook: CRR Firms: Leverage Instrument 2021, PRA 2021/14, effective from 1 January 2022; PRA Rulebook: CRR Firms: Leverage Ratio Instrument 2023, effective from 1 January 2024; PRA Rulebook: CRR Firms: Leverage Ratio Instrument 2024, PRA 2024/6, effective from 5 August 2024.
Disclosure (CRR) Part of the PRA Rulebook	Annex K of the PRA Rulebook (CRR) Instrument 2021, PRA 2021/13, came into force on 1 January 2022. Leverage-related disclosure rules were also amended by: PRA Rulebook: CRR Firms: Leverage Instrument 2021, PRA 2021/14, effective from 1 January 2022; PRA Rulebook: CRR Firms: Leverage Ratio Instrument 2024, PRA 2024/6, effective from 5 August 2024.
Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council – Articles 92a and 92b, non-risk-based requirements for own funds and eligible liabilities for G-SIBs / minimum requirement for own funds and eligible liabilities (MREL) leverage requirement	[Note: EU CRR applied in the United Kingdom from 2014. When the United Kingdom left the European Union, the version of the EU CRR prevailing at the time was transferred into UK law – this is now referred to as the “assimilated CRR” or “UK CRR”. However, Part Seven (Leverage) of the EU CRR was revoked and the content transferred to PRA rules. Only a few EU CRR provisions relevant to leverage are still to be found within the assimilated CRR]. Articles 92a and 92b of Regulation (EU) No 575/2013 could be seen as relevant UK legislation for non-risk-based requirements for own funds and eligible liabilities for G-SIBs. Regulation (EU) No 575/2013 generally applied from 1 January 2014; the Capital Requirements Regulation (Amendment) Regulations 2021 came into force on 1 January 2022.
Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council – Article	Article 468(5) of Regulation (EU) No 575/2013 could be seen as relevant UK legislation for the treatment of non-performing

468(5), treatment of non-performing exposures due to Covid-19	exposures due to Covid-19. Regulation (EU) No 575/2013 generally applied from 1 January 2014; the Capital Requirements Regulation (Amendment) Regulations 2021 came into force on 1 January 2022.
Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council – Article 473a(7A) and (8), introduction of IFRS 9	Article 473a(7A) and (8) of Regulation (EU) No 575/2013 could be seen as relevant UK legislation for the introduction of IFRS 9. Regulation (EU) No 575/2013 generally applied from 1 January 2014; the Capital Requirements Regulation (Amendment) Regulations 2021 came into force on 1 January 2022.
Financial Services and Markets Act 2000	Given royal assent on 14 June 2000. Various commencement dates as stated in SI 2001/3538.
PRA Fundamental Rules	The PRA Rulebook: Fundamental Rules Instrument 2014, PRA instrument 2014/17, issued on 13 June 2014, which came into force on 19 June 2014. Amended by: Annex F to PRA instrument 2015/51, effective 1 October 2015; Annex C to PRA instrument 2020/29, effective 31 December 2020; Annex C to PRA instrument 2022/6, effective 12 August 2022.
PRA supervisory expectations supporting implementation of the leverage ratio framework	
PRA Supervisory Statement 45/15 – The UK leverage ratio framework, including Additional Leverage Ratio model requirements	First published on 7 December 2015, effective from that date. The current version was published 12 February 2025, effective 31 March 2025.
PRA Supervisory Statement 34/15 – Guidelines for completing regulatory reports	First published on 3 August 2015. The current version was published on 8 December 2025 and is effective from 31 December 2025.
PRA Supervisory Statement 16/16 – The minimum requirement for own funds and eligible liabilities (MREL): buffers and threshold conditions	First published on 8 November 2016. The current version was published on 22 July 2025 and is effective from 22 July 2025.
Source: PRA.	

Annex 3 Materiality assessment

The outcome of the RCAP assessment is based on the materiality of the findings described in Section 2.2 and summarised in Table A.3. The Assessment Team evaluates the materiality of findings quantitatively where possible, or using expert judgment when the impact cannot be quantified.

The materiality assessment for quantifiable gaps is based on the cumulative impact of the identified deviations on the reported leverage ratio exposure measure of banks in the RCAP sample. These banks are listed in Table A.4.

Number of deviations by component			Table A.3
Component	Not material	Potentially material	Material
Definitions and application, and calculation	0	0	0
Exposure measurement	3	0	1
Buffer requirements and transitional arrangements for global systemically important banks	0	2	0
Disclosure requirements	1	0	0

RCAP sample banks		Table A.4
Banking group	Share of banks' assets in the total assets of the internationally active banks in the UK banking system as of 30 June 2025 (in per cent)	
HSBC Holdings Group - UK Consolidation Group	24.7%	
Barclays Group - UK Consolidation Group	16.1%	
Lloyds Banking Group - UK Consolidation Group	8.1%	
Standard Chartered Bank Group - UK Consolidation Group	8.1%	
NatWest Group - UK Consolidation	7.7%	

For this purpose, banking assets are measured using the total exposures from the leverage ratio, which include both on-balance sheet and off-balance sheet exposures. Among the sample banks, the leverage ratio is the binding constraint for one of them. That is, this bank has Tier 1 capital required for the leverage ratio (including any G-SIB buffer) that is higher than the Tier 1 capital required to meet risk-based capital requirements (including the capital conservation buffer plus any higher loss absorbency requirements for G-SIBs, any countercyclical capital buffer requirements and any other higher domestic Pillar 1 loss absorbency requirements, including for D-SIBs). Maintaining the same exposure measure, this bank could increase the risk-weighted amount of their assets by 3.3% before the risk-based capital requirements become the binding constraint.

Source: PRA.

Annex 4 Issues for follow-up RCAP assessments

The Assessment Team identifies the following issues for future RCAP assessments:

- **Off-balance sheet (OBS) securitisation exposures.** For OBS securitisation exposures, LEV30.56 in conjunction with CRE40.20(2), allows both the undrawn portion of servicer cash advances and facilities that are unconditionally cancellable without prior notice to receive the 10% CCF for unconditionally cancellable commitments that applies under the standardised approach to credit risk (CRE20). UK rules apply a CCF of 0% to the nominal amount of the facility that is unconditionally cancellable provided certain conditions are met. As the paragraph of the Basel Framework on which this finding is based (CRE40.20(2)) is not within the scope of the RCAP-LEV, it is treated as an issue for a follow-up RCAP assessment.
- **Planned revision of the UK leverage framework.** On 7 July 2026, the Financial Policy Committee (FPC) announced a package of proposed revisions to the UK leverage framework.¹⁰ These revisions are not covered in this assessment as they were not finalised by the cut-off date. As the proposed revisions could potentially impact the materiality of the deviations identified in this assessment, they are treated as an issue for a follow-up RCAP assessment.

¹⁰ See Financial Policy Committee, *Financial Policy Committee Record*, 26 June 2026, www.bankofengland.co.uk/financial-policy-committee-record/2026/july-2026.

Annex 5 Areas where UK rules are stricter than the Basel standards

In some areas, the UK authorities have adopted a stricter approach than the minimum standards prescribed by the Basel Committee. These are listed below for information. These stricter rules have not been taken into account as mitigants for the overall or component-level assessment of compliance.

Capital measure for the leverage ratio:

According to LEV20.4, the leverage numerator is defined as Tier 1 capital. UK rules are super-equivalent in two ways: (i) for leverage compliance, at least 75% of Tier 1 (leverage) must be common equity Tier 1 (CET1) (PRA Rulebook: Leverage Ratio – Capital Requirements and Buffers, Part 3.2); and (ii) the PRA's additional Tier 1 (AT1) eligibility criteria in the Own Funds and Eligible Liabilities (CRR) Part require a higher loss-absorption trigger (7% CET1) than the Basel minimum 5.125%, limiting the AT1 that can be recognised in Tier 1 and thus in the leverage numerator.

G-SIB leverage ratio buffer

According to LEV40.1, G-SIBs must meet the leverage ratio buffer with Tier 1 capital. UK rules are super-equivalent by (i) requiring the leverage ratio buffer to be met with CET1 (PRA Rulebook: Leverage Ratio – Capital Requirements and Buffers Part 4A.1 and 4A.2); and (ii) applying the additional leverage ratio buffer (ALRB) to a wider set of systemically important UK banks (D-SIBs), not just G-SIBs.

Annex 6 National discretions implemented by UK authorities

Implementation of national discretions by UK authorities

Table A.5

Basel paragraph	Description	National implementation
<u>LEV30.7</u>	Treatment of central bank reserves in exceptional circumstances	The exemption was put in place to prevent firms from having to hold more capital as a result of monetary policy measures (specifically quantitative easing (QE)) which injected reserves into their balance sheets. These measures were taken by the Bank of England in response to exceptional macroeconomic circumstances due to judged weakness in demand relative to supply following the United Kingdom's vote to leave the European Union in 2016 and later in response to the Covid-19 pandemic in 2020. The Financial Policy Committee (FPC) reviews this exemption annually. The minimum LR was recalibrated from 3% to 3.25% on 3 October 2017, an increase calculated to restore the level of resilience that held prior to the exemption (see 3.1 of the Leverage Ratio – Capital Requirements and Buffers (CRR) Part of the PRA Rulebook). In terms of disclosure requirements, firms shall disclose the leverage exposure measure and leverage ratio both with and without reserves included in the exposure measure (see Articles 447(e)(i) and 451(1)(b)(c) and Annexes XI and XII of the Disclosure (CRR) Part of the PRA Rulebook).
<u>LEV30.47</u>	Exemption of certain arrangements from the definition of commitment	The PRA does not exercise the national discretion under LEV30.47.
<u>LEV30.56</u>	Treatment of certain off-balance sheet securitisation exposures	Broadly, Article 248(1)(b) of the CRR states that the exposure value of an off-balance sheet securitisation position is its nominal value less any relevant specific credit risk adjustments on the securitisation position, multiplied by the relevant conversion factor. The conversion factor is generally 100%. However, to determine the exposure value of the undrawn portion of a cash advance facility, a conversion factor of 0% may be applied to the nominal amount of the facility that is unconditionally cancellable provided certain conditions are met. In particular, repayment of draws on the facility must be senior to any other claims on the cash flows arising from the underlying exposures and the institution must have demonstrated to the satisfaction of the PRA that it is applying an appropriately conservative method for measuring the amount of the undrawn portion.

Source: PRA.

Annex 7 Key leverage indicators of the banking system in the UK

Overview of leverage of the UK banking system as of end-June 2025

Table A.6

Size of banking sector		
	Number of banks	Total assets (GBP, millions)
All banks incorporated in the United Kingdom, of which	52	9,815,872
G-SIBs, headquartered in the United Kingdom	3	4,523,661
Subsidiaries of foreign banks	19	2,624,273
Banks to which the Basel leverage ratio framework is applied	17	9,337,166
Breakdown of leverage ratio for five RCAP sample banks (GBP, millions)		
Tier 1 capital		273,840
Total on-balance sheet exposures (excluding derivatives and SFTs, but including collateral)		4,382,795
Total derivative exposures		385,853
Total SFT exposures		710,558
Off-balance sheet items		551,928
Total leverage ratio exposure measure		6,032,034
Adjustments for temporary exemption of central bank reserves (if applicable)		726,269
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)		5.16%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		4.54%

Source: PRA.