

## A response to the PRA's CP28/23 on

# Leverage ratio treatment of omnibus account reserves and minor amendments to the leverage ratio framework

March 2024

### *Introduction*

UK Finance is the collective voice for the banking and finance industry. Representing more than 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We are pleased to respond to the PRA's Consultation Paper CP [28/23](#) on the Leverage ratio treatment of omnibus account reserves and minor amendments to the leverage ratio framework. Overall, we feel that the PRA's suggestions in this consultation are sensible and therefore only have a few minor points to raise

### *Leverage ratio reporting*

In the [Draft amendments to the supervisory statement](#) in the consultation under the revised disclosure frequency table (page 11); it is clarified that template LRCom must be disclosed on a quarterly basis for Large Listed, Large Unlisted and Other Listed institutions.

For Large Listed (first column) there is a considerable crossover with rows 13 to 14e of Template KM1 which also require Large Listed to be disclosed quarterly. The same requirement for quarterly disclosure of certain rows of LRCom also appears under the instructions for leverage ratio disclosure (page 14 of the appendices). At interim quarter ends (Q1 / Q3) it remains unclear as to whether the PRA intends for the relevant rows of LRCom to be disclosed in addition to the relevant rows of KM1 (which would largely be a duplication) or for KM1 to take precedence (with cross referencing to the same rows of LRCom as some banks already do) and therefore the remaining data items that are not part of KM1 (e.g. average exposure measure) to then be disclosed separately. To avoid this duplication there should ideally be a separate footnote under the disclosure frequency table for Large Listed that acknowledges the data items are already required to be disclosed via rows 13 to 14e for KM1 and therefore simply lists the additional LRCom data items to be disclosed.

Under the same table we note that the PRA has made a couple of amendments to footnote 3/4/5. It is unclear why the requirement to disclose LRCom UK-24b ('Total exposure measure excluding claims on central banks') has been removed. This equate to row 13 per KM1 and is a key total as it

is the denominator of the headline leverage ratio. We would therefore recommend that this is retained, or the PRA at least explains out their rationale for removing it.

We would also like to use this opportunity to reiterate the point we made in chapters 11 and 12 of our response to [CP16/22](#); asking the PRA to revisit quarterly Pillar 3 disclosure requirements and limit these to the highest level of consolidation of a UK banking group and align their frequency with financial disclosure requirements.

With many groups publishing summary financial information for their large institutions on a semi-annual basis only and restricting publication of quarterly financial information to the consolidated group only, members question how useful the Pillar 3 disclosures for large institutions are in the absence of accompanying financial information. Firms challenge the value of such disclosures when financial disclosures and in some cases, capital disclosures are not required. For example, large institutions that are classified as LREQ firms are currently required to disclose certain leverage metrics at interim quarter ends despite there being no requirement to disclose KM1. It is unlikely that users would be able to properly interpret the leverage metrics in the absence of financial information and further capital metrics.

Firms are happy to publish useful information but question the value of devoting resource to preparing, reviewing and approving disclosures if they are not actually widely read (we don't believe they are). Would the PRA provide their insight on how useful the Pillar 3 disclosures are to external users, given that the download statistics across firms seem to indicate that the disclosures are not widely accessed and therefore used.

*Responsible Executive*

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