# Basel Committee on Banking Supervision

### **LEV**

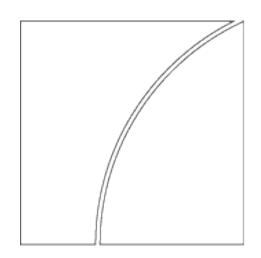
Leverage ratio

LEV20

### Calculation

## Version effective as of 01 Jan 2023

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





- **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 <u>CAP10</u>. 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:<sup>1</sup>
  - (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.

#### **Footnotes**

Jurisdictions are free to apply the revised definition of the exposure measure at an earlier date than 1 January 2023.

### 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.