Guernsey Financial Services Commission

MODULE 6

Guidance to completing the Balance Sheet module of BSL/2

Glossary

The following abbreviations are used within the document:

Basel III capital adequacy standard	-	"A global regulatory framework for more resilient banks and banking systems", issued in December 2010 by the Basel Committee and revised in June 2011
CD	-	**C**ertificate of **D**eposit
CP	-	**C**ommercial **P**aper
FRN	-	**F**loating **R**ate **N**ote
PSE	-	**P**ublic **S**ector **E**ntity

Overview

Introduction

1.1 Module 6 is designed to provide the Commission with an assessment of a bank's balance sheet and off-balance sheet activities including, for subsidiaries only, its capital resources.

1.2 Branches are only required to complete the Assets and Liabilities sheets of Module 6.

1.3 Throughout Module 6, areas where data should be input are indicated visually in the sheets by the use of white boxes – no data should be entered elsewhere and every box should be completed, entering zero where appropriate.

1.4 For branches only, an Off Balance sheet worksheet has been included. This is a TOTALS only version of the Off Balance sheet worksheet used by subsidiaries from Module 1.

1.5 The "Checks" worksheet has been moved next to the "Front Sheet".

SECTION 2 CAPITAL

Types of capital

2.1 For supervisory purposes, capital is split into three categories: Core Equity Tier 1 ("CET1), Additional Tier 1("AT1") and Tier 2 ("T2"). These categories reflect the varying quality of capital that different instruments provide.

2.2 Annexes A to C along with detailed guidance set out below provide further definition of the three types of capital.

Transitional arrangements

2.3 Certain items in the regulatory capital calculation will be eligible for transitional adjustments.

2.4 Regulatory adjustments to CET1, AT1 and Tier 2 capital will apply at 60% during 2016, 80% on 1 January 2017, and reach 100% on 1 January 2018.

2.5 Specific adjustments applicable are described in the detailed item guidance in the table below and it is indicated where transitional arrangements apply.

2.6 With respect to the reporting of transitional adjustments, three columns are used in the Module 6 capital section with two columns (in some cases, split into two rows) used to provide information on transitional items.

2.7 Banks are required to report:

- The full amount allowed (including due to transitional adjustments) in the column headed "Value";

- The full amount of the item (without any adjustment) to which transitional adjustments apply in the column headed "Transitional"; and

- The initial amount at the time of implementation of the new capital standard (upper cell) and the relevant percentage (lower cell) in the column headed "Transitional cap". The initial amount multiplied by the relevant percentage will give the transitional cap.

2.8 A series of illustrative examples of the application and reporting of transitional arrangements is provided in Annex D.

Detailed guidance

Item	Description	Guidance
A	**Core Equity Tier 1 Capital**	
A.1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	Common share capital plus related share premium. Instruments in this classification must meet all of the criteria in Annex A.
A.2	Retained earnings	Retained earnings from prior years, net of dividends paid out and net of current year losses but only including auditor certified profits.
A.3	Accumulated other comprehensive income (and other reserves)	Other reserves, net of any reduction in the current year but only including increases that are auditor certified.
A.4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	Leave blank
A.4.a	Public sector capital injections grandfathered until 1 January 2018	Leave blank

Item	Description	Guidance
A.5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	To be used by banks that own subsidiaries and have issued common share capital that is held by third parties, and only then in the case of prudential reporting submitted on a consolidated basis. The amount allowed would be limited to the amount required to meet regulatory requirements in respect of CET1 capital, with transitional adjustments applying to any excess. The transitional caps applying for this item are: (1) 40% in 2016 and (2) 20% in 2017. No excess is recognised in 2018 and later years. For further guidance, reference should be made to paragraphs 62 and 94(e) of the Basel III capital adequacy standard for full details.
A.6	**Common Equity Tier 1 capital before regulatory adjustments**	**Automatically completed, being the sum of A.1 to A.5**
A.7	Prudential valuation adjustments	Adjustments should be made here for assets held at fair value but which are illiquid. Where applicable, banks should consider the guidance contained in section VIII, “Treatment for illiquid positions”, of the Basel Committee paper titled “Revisions to the Basel II market risk framework”, issued July 2009. It should be noted that this guidance applies adjustments to positions in the banking book. Transitional arrangements apply.
A.8	Goodwill (net of related tax liability)	All goodwill should be shown here (net of any associated deferred tax liability which would be extinguished if the asset becomes impaired or derecognised under the relevant accounting standards) and deducted from Core Equity Tier 1 Capital.
A.9	Other intangibles, other than mortgage-servicing rights (net of related tax liability)	All other intangibles (with the exception of mortgage servicing rights) should be shown here (net of any associated deferred tax liability which would be extinguished if the asset becomes impaired or derecognised under the relevant accounting standards) and deducted from Core Equity Tier 1 Capital.

Item	Description	Guidance
A.10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	Report all deferred tax assets ("DTAs") that rely on future profitability of the bank be deducted when calculating CET1 capital. For this purpose, deferred tax assets may be netted with associated deferred tax liabilities ("DTLs)" but only if the DTAs and DTLs relate to taxes levied by the same taxation authority and offsetting is permitted by that taxation authority. Where DTAs relate to temporary differences, the proposed amount to be deducted is set out in Item A.21 below. For further guidance reference should be made to paragraph 69, "Deferred tax assets", of the Basel III capital adequacy standard. Transitional arrangements apply.
A.11	Cash-flow hedge reserve	Adjustments to the amount of the cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet (including projected cash flows) should be derecognised in the calculation of CET1 capital. This means that positive amounts should be deducted and negative amounts should be added back. For further guidance reference should be made to paragraphs 71-72, "Cashflow hedge reserve", of the Basel III capital adequacy standard.
A.12	Shortfall of provisions to expected losses	This concerns banks using advanced approaches. Where applicable, for further guidance reference should be made to paragraph 73, "*Shortfall of the stock of provisions to expected losses*", of the Basel III capital standard.
A.13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	This concerns banks that issue securitised debt instruments and relates to any increase in equity capital resulting from a securitisation transaction, such as that associated with expected future margin income. Where applicable, for further guidance reference should be made to paragraph 74, "*Gain on sale related to securitisation transactions*", of the Basel III capital standard.

Item	Description	Guidance
A.14	Gains and losses due to changes in own credit risk on fair valued liabilities	This item should be used to back out any gains or losses resulting from revaluation of own fair valued liabilities that arise due to own-credit related factors. This means that gains would be deducted and losses would be added back. For further guidance, reference should be made to paragraph 75 of the Basel III capital adequacy standard. Transitional adjustments are generally not permitted, with the exception of adjustments as per below. Valuation adjustments on derivative related liabilities relating to own credit factors must be reversed here. The part of a derivative valuation that relates to own-credit risk is referred to as a “debit valuation adjustment, or “DVA”. Transitional adjustments for this item are not permitted with the exception of the amount relating to DVAs that arose on origination (to be included here and in addition reported separately in item A.14a).
A.14a	of which: amount relating to DVAs recognised on origination	The amount relating to DVAs that arose on origination should be reported here.
A.15	Defined-benefit pension fund net assets	For each defined benefit pension fund that is an asset on the balance sheet, the asset should be deducted in the calculation of Common Equity Tier 1. For the treatment of liabilities, see Item A.26a
A.16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet).	All of a bank’s investments in its own common shares (treasury shares), whether held directly or indirectly, should be deducted here (unless already derecognised under the relevant accounting standards). In addition, any own stock which the bank could be contractually obliged to purchase should be deducted here.
A.17	Reciprocal cross-holdings in common equity	Reciprocal cross holdings in common equity issued by banking, financial and insurance entities should be deducted.

Item	Description	Guidance
A.18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	Less significant holdings of common equity issued by banking, financial and insurance entities (those below 10% of the issuing entity's issued share capital) do not require deduction (but see Items A.19 and A.23); but if the total of all such amounts exceeds 10% of total CET1 then the excess must be deducted here. For further guidance, reference should be made to paragraphs 80 to 83 of the Basel III capital standard. The approach used where the bank also holds Tier 1 or AT1 instruments issued by such entities is to deduct the amount above 10%, divided in the same proportions as the relevant holdings (see items B.10 and C.9).
A.19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	Where the bank owns investments in the capital of banking, financial and insurance entities, that are outside the scope of regulatory consolidation, and either:- • The bank owns more than 10% of the issued common share capital of the issuing entity; or • where the entity is an affiliate of the bank (which includes all subsidiaries of the CD bank); then investments must be fully deducted following a corresponding deduction approach. This means the deduction should be applied to the same tier of capital for which the capital would qualify if it was issued by the bank itself. If the bank is required to make a deduction from a particular tier of capital and it does not have enough of that tier of capital to satisfy that deduction, the shortfall will be deducted from the next higher tier of capital (e.g. if a bank does not have enough Additional Tier 1 capital to satisfy the deduction, the shortfall will be deducted from Common Equity Tier 1). Investments included above that are common shares will be subject to a threshold treatment whereby investments up to the value of 10% (in total) of the reporting bank's CET1 capital after deductions (items A.7 to A.18 and deductions of Additional Tier 1 and Tier 2 investments applied to CET1 as per the paragraph above) may be excluded from the deduction. For further guidance, reference should be made to paragraphs 84 to 86 of the Basel III capital standard.

Item	Description	Guidance
A.20	Mortgage servicing rights (amount above 10% threshold)	Intangible assets that arise in connection with providing mortgage servicing, typically in connection with the mortgage assets transferred to a securitisation vehicle. Only the amount in excess of 10% of CET1 may be deducted. For further guidance reference should be made to paragraph 87 of the Basel III capital standard.
A.21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Deferred tax assets that do not rely on future profitability (see Item A.10). Only the amount in excess of 10% of CET1 may be deducted. Transitional adjustments will apply. For further guidance, reference should be made to paragraph 87 of the Basel III capital standard.
A.22	Amount exceeding the 15% threshold	The amount of the aggregate of three items above (A.19, A.20 and A.21) that remains recognised that exceeds 15% of CET 1 (calculated prior to the deduction of these items but after application of all other regulatory adjustments applied in the calculation of CET 1) should be deducted. Transitional adjustments apply only to the amount of the deduction that relates to DTAs. For example, if DTAs totalled 9% and the other two items totalled 12% then the deduction required would be 6% (21% minus 15%), all of which could be said to relate to DTAs and hence all would be subject to transitional adjustments. For further guidance, reference should be made to paragraph 88 of the Basel III capital standard.
	Note that the amount of the items above (A.19, A.20 and A.21) that are not deducted in the calculation of Common Equity Tier 1 will be risk weighted at 250%.	
A.23	of which: significant investments in the common stock of financials	Items A.23, A.24 and A.25 should be used to provide a break down of the amount reported in A.22 into three sub-components.
A.24	of which: mortgage servicing rights	
A.25	of which: deferred tax assets arising from temporary differences	

Item	Description	Guidance
A.26	National specific regulatory adjustments, including Pillar 2 deductions applied to CET1 capital	This item is to be used where additional deductions are required by the Commission. In the event of deductions being required in connection with Pillar 2, they would typically be required to be made here.
A.26a	Regulatory adjustments applied to CET1 capital in respect of amounts subject to pre-Basel III treatment: pension liabilities	Defined benefit pension fund liabilities, as included on the balance sheet, must be fully recognised in the calculation of Common Equity Tier 1 (i.e. Common Equity Tier 1 cannot be increased through derecognising these liabilities). For each defined benefit pension fund that is an asset on the balance sheet, the asset should be deducted in the calculation of Common Equity Tier 1. In cases where prior to the introduction of this revised framework banks were permitted to add-back pension liabilities in the calculation of regulatory capital then transitional adjustments may be applied. Under transitional arrangements banks may add back a percentage of any pension liabilities applying the following percentages: 40% in 2016 and 20% in 2017. No adjustment would be made in 2018 and later years.
A.26b	Regulatory adjustments applied to CET1 capital in respect of amounts subject to pre-Basel III treatment: available-for-sale reserves	Unrealised gains and losses recognised on the balance sheet should be included as part of CET1. In cases where prior to the introduction of this revised framework banks were permitted to add-back unrealised losses in the calculation of regulatory capital then transitional adjustments may be applied. Under transitional arrangements banks may add back a percentage of any net loss applying the following percentages: 40% in 2016 and 20% in 2017. No adjustment would be made in 2018 and later years.
A.27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	To be used where deductions would ordinarily be eligible to be deducted from lower quality capital but cannot be, due to the deduction exceeding the amount of such capital. Where transitional adjustments apply to those items, they also apply to the excess deducted here.

Item	Description	Guidance
A.28	**Total regulatory adjustments to Common equity Tier 1**	**Automatically completed as the sum of A.7 to A.27 not including sub-category items A.14a, A.23, A.24 and A.25 A.26a and A.26b.**
A.29	**Common Equity Tier 1 capital (CET1)"**	**Automatically completed as A.6 minus A.28**
B	**Additional Tier 1 capital: instruments**	
B.1	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	Amounts of instruments meeting the qualifying criteria in Annex B that have been issued by the bank itself. Stock surplus (i.e. share premium) that is not eligible for inclusion in Common Equity Tier 1, will only be permitted to be included in Additional Tier 1 capital if the shares giving rise to the stock surplus are permitted to be included in Additional Tier 1 capital.
B.2	of which: classified as equity under applicable accounting standards	B.2 and B.3 are used to report the breakdown of item B.30 into equity and liability items.
B.3	of which: classified as liabilities under applicable accounting standards	
B.4	Directly issued capital instruments subject to phase out from Additional Tier 1	Applies to banks that have issued ineligible preference shares (or other formerly eligible Tier 1 capital). Transitional adjustments apply. Recognition is capped at 60% in 2016 and reduces by 10 percentage points in each subsequent year.

Item	Description	Guidance
B.5	Additional Tier 1 instruments (and CET1 instruments not included in A.5) issued by subsidiaries and held by third parties (amount allowed in AT1)	Applies to banks that own subsidiaries that have issued: AT1 instruments that are held by third parties; or Common share capital that is held by third parties but exceeds the amount eligible in item A.5 (i.e. the amount needed to meet regulatory requirements in respect of CET1 capital). It only applies in the case of prudential reporting submitted on a consolidated basis. The amount allowed is limited to the amount required to meet regulatory requirements in respect of Tier 1 capital. For further guidance, reference should be made to paragraph 63 of the Basel III capital standard. Where such capital is not eligible for inclusion but was included under the previous rules, then transitional adjustments may be made. 60% of the amount should be excluded on 1 January 2016, 80% on 1 January 2017, and 100% from 1 January 2018 onwards.
B.6	of which: instruments issued by subsidiaries subject to phase out	The amount reported in B.6 that relates to instruments subject to phase out from AT1.
B.7	**Additional Tier 1 capital before regulatory adjustments**	**The sum of B.1, “Directly issued qualifying Additional Tier 1 instruments plus related stock surplus”, B.4, “Directly issued capital instruments subject to phase out from Additional Tier 1”, and B.5, “Additional Tier 1 instruments (and CET1 instruments not included in A.5) issued by subsidiaries and held by third parties (amount allowed in AT1)”**
B.8	Investments in own Additional Tier 1 instruments	Holdings of own AT1 instruments issued, including any held through consolidated subsidiaries.
B.9	Reciprocal cross-holdings in Additional Tier 1 instruments	Reciprocal cross holdings in AT1 instruments issued by banking, financial and insurance entities.

Item	Description	Guidance
B.10	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	Holdings of AT1 issued by banking, financial and insurance entities (where the bank does not own more than 10% of the issued common share capital of the entity) do not require deduction unless the total of all such amounts exceeds 10% of total CET1, in which case the excess must be deducted here. This uses a proportionate approach – if the investments are a mix of CET1, AT1 and Tier 2 instruments, the amount deducted is the excess of the total above 10%, divided in the same proportions as the holdings. For further guidance, reference should be made to paragraphs 80 to 83 of the Basel III capital standard.
B.11	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	Where the bank owns AT1 investments in the capital of banking, financial and insurance entities, that are outside the scope of regulatory consolidation, and either:- • The bank owns more than 10% of the issued common share capital of the issuing entity; or • where the entity is an affiliate of the bank (which includes all subsidiaries of the CD bank); then investments must be fully deducted following a corresponding deduction approach. This means the deduction should be applied to the same tier of capital for which the capital would qualify if it was issued by the bank itself. If the bank is required to make a deduction from a particular tier of capital and it does not have enough of that tier of capital to satisfy that deduction, the shortfall will be deducted from the next higher tier of capital. If a bank does not have enough AT1 capital to satisfy the deduction, the shortfall will be deducted from CET1 capital, see item A.19. For further guidance, reference should be made to paragraphs 84 to 86 of the Basel III capital standard.

Item	Description	Guidance
B.12	National specific regulatory adjustments, including Pillar 2 deductions applied to Additional Tier 1 capital	To be used where deductions are required by the Commission. Typically if any deductions are required in connection with Pillar 2, they would be required to be deducted from CET1 capital in item A.26.
B.13	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	To be used where deductions would ordinarily be eligible to be deducted from Tier 2 capital but could not be, due to the deduction exceeding the amount of such capital. Where transitional adjustments apply to those items, they also apply to the excess deducted here.
B.14	**Total regulatory adjustments to Additional Tier 1 capital**	**Automatically completed, being the sum of B.8 to B.13**
B.15	**Additional Tier 1 capital (AT1)”**	**Automatically completed as B.7 minus B.14**
B.16	**Tier 1 capital (T1 = CET1 + AT1)**	**Automatically completed, being the sum of A.29 and B.15**

Item	Description	Guidance
C	**Tier 2 Capital**	
C.1	Directly issued qualifying Tier 2 instruments plus related stock surplus	Amounts of instruments meeting the qualifying criteria in Annex C that have been issued by the bank itself. Stock surplus (i.e. share premium) that is not eligible for inclusion in Tier 1, will only be permitted to be included in Tier 2 capital if the shares giving rise to the stock surplus are permitted to be included in Tier 2 capital.
C.2	Directly issued capital instruments subject to phase out from Tier 2	Subordinated debt (or other formerly eligible Tier 2 capital) issued before revision to the capital adequacy rules subject to transitional adjustments. Transitional adjustments apply. Recognition is capped at 60% in 2016 and reduces by 10 percentage points in each subsequent year.

Item	Description	Guidance
C.3	Tier 2 instruments (and CET1 and AT1 instruments not included in items A.5 or B.5) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	Applies to banks that own subsidiaries that have issued: • Tier 2 instruments that are held by third parties; or • Common share capital or AT1 instruments that are held by third parties but exceed the amount eligible in Items A.5/B.5 (i.e. the amount needed to meet regulatory requirements in respect of CET1 capital/AT1 capital). It is only proposed to apply this in the case of prudential reporting submitted on a consolidated basis. It is proposed that the amount allowed is limited to the amount required to meet regulatory requirements in respect of total capital, with transitional adjustments applying to any excess. As per Item A.5, the transitional caps permitted for this item are: (1) 40% in 2016 and (2) 20% in 2017. No transitional adjustment applies in 2018 and later years.
C.4	of which: instruments issued by subsidiaries subject to phase out	The amount reported in C.3 that relates to instruments subject to phase out from T2.
C.5	Provisions	Used to report the amount of provisions allowed. Provisions or loan-loss reserves held against future, presently unidentified losses are freely available to meet losses which subsequently materialise and therefore qualify for inclusion within Tier 2. Provisions ascribed to identified deterioration of particular assets or known liabilities, whether individual or grouped, should be excluded. Furthermore, general provisions/general loan-loss reserves eligible for inclusion in Tier 2 will be limited to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach.
C.6	**Tier 2 capital before regulatory adjustments**	**Automatically completed, being the sum of Item C.1, "Directly issued qualifying Tier 2 instruments plus related stock surplus", Item C.2, "Directly issued capital instruments subject to phase out from Tier 2", Item C.3, "Tier 2 instruments (and CET1 and AT1 instruments not included in rows A.5 or B.5) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)", and Item C.5, "Provisions".**

Item	Description	Guidance
C.7	Investments in own Tier 2 instruments	Holdings of own Tier 2 instruments issued, including any held through consolidated subsidiaries.
C.8	Reciprocal cross-holdings in Tier 2 instruments	Reciprocal cross holdings in Tier 2 instruments issued by banking, financial and insurance entities.
C.9	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	Holdings of Tier 2 issued by banking, financial and insurance entities (where the bank does not own more than 10% of the issued common share capital of the entity) do not require deduction unless the total of all such amounts exceeds 10% of total CET1, in which case the excess must be deducted here. This uses a proportionate approach – if the investments are a mix of CET1, AT1 and Tier 2 instruments, the amount deducted is the excess of the total above 10%, divided in the same proportions as the holdings. For further guidance, reference should be made to paragraphs 80 to 83 of the Basel III capital standard.

Item	Description	Guidance
C.10	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	Where the bank owns Tier 2 investments in the capital of banking, financial and insurance entities, that are outside the scope of regulatory consolidation, and either:- • The bank owns more than 10% of the issued common share capital of the issuing entity; or • where the entity is an affiliate of the bank (which includes all subsidiaries of the CD bank); Then investments must be fully deducted following a corresponding deduction approach. This means the deduction should be applied to the same tier of capital for which the capital would qualify if it was issued by the bank itself. If the bank is required to make a deduction from a particular tier of capital and it does not have enough of that tier of capital to satisfy that deduction, the shortfall will be deducted from the next higher tier of capital. If a bank does not have enough Tier 2 capital to satisfy the deduction, the shortfall will be deducted from AT1 capital, see item B.11. For further guidance, reference should be made to paragraphs 84 to 86 of the Basel III capital standard.
C.11	National specific regulatory adjustments, including Pillar 2 deductions applied to Tier 2 capital	To be used where deductions are required by the Commission. Typically if any deductions are required in connection with Pillar 2, they would be required to be deducted from CET1 capital in item A.26.
C.12	**Total regulatory adjustments to Tier 2 capital**	**Automatically completed, being the sum of C.7 to C.11**
C.13	**Tier 2 capital (T2)**	**Automatically completed, being the sum of C.6 and C.12.**
C.14	**Total capital (TC = T1 + T2)**	**Automatically completed, being the sum of A.29, B.16 and C.13.** [*This also constitutes the "Adjusted Capital Base (Tiers 1 & 2)" for the purposes of large exposure reporting.*]

D	Capital Memorandum Items	
D.1	Non-significant investments in the capital of other financials	Non-significant investments in the capital of other financials, the total amount of such holdings that are not reported in items A.18, B.10 and C.9.

D.2	Significant investments in the common stock of financials	Significant investments in the common stock of financials, the total amount of such holdings that are not reported in item A.19 and A.23.
D.3	Mortgage servicing rights (net of related tax liability)	Mortgage servicing rights, the total amount of such holdings that are not reported in item A.20 and A.24.
D.4	Deferred tax assets arising from temporary differences (net of related tax liability)	Deferred tax assets arising from temporary differences, the total amount of such holdings that are not reported in item A.21 and A.25.
D.5	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	Provisions eligible for inclusion in Tier 2, in respect of exposures subject to standardised approach, , prior to the application of the cap.
D.6	Cap on inclusion of provisions in Tier 2 under standardised approach	Cap on inclusion of provisions in Tier 2 under standardised approach, calculated in accordance paragraph 60 of Basel III.
D.7	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach, calculated in accordance paragraph 61 of Basel III, prior to the application of the cap. (Not to be completed where reporting under the standardised approach).
D.8	Current cap on CET1 instruments subject to phase out arrangements	Current cap on CET1 instruments subject to phase out arrangements.
D.9	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities).
D.10	Current cap on AT1 instruments subject to phase out arrangements	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities).
D.11	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities).

D.12	Current cap on T2 instruments subject to phase out arrangements	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities).
D.13	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities).

SECTION 3 BALANCE SHEET ASSETS

Categorisation

3.1 The designation of an asset as marketable means:

- Prices are regularly quoted for the asset;
- The asset is regularly traded;
- The asset is readily sold, including by repo, either on an exchange, or in a deep and liquid market, for payment in cash; and
- Settlement is made according to a prescribed timetable, rather than a negotiated timetable.

Detailed guidance

Item	Description	Guidance
E.1 Cash		
E.1.1	Notes and coins	Notes and coins held by the bank.
E.1.2	Cash items in the course of collection	The amount of cheques, drafts and other items drawn on other banks that will be paid for the account of the reporting institution immediately upon presentation and that are in the process of collection.
E.1.3	Gold	Gold held by the bank.
E.1.4	**SUBTOTAL**	**Total for "E.1 Cash", automatically completed as the sum of E.1.1 to E.1.3.**
E.2 Loans to banks		
E.2.1	Loans to Parent	Loans to parent banks of the reporting bank.
E.2.2	Loans to other group entities	Loans to entities in the same group as the reporting bank. An entity is considered to be in the same group as the reporting bank if it is a subsidiary of the ultimate parent of the reporting bank or the ultimate parent of the reporting bank is a subsidiary of that group entity.
E.2.3	Loans to other banks	Loans to all other banks.

Item	Description	Guidance
E.2.4	**SUBTOTAL**	**Total for "E.2 Loans to banks", automatically completed as the sum of E.2.1 to E.2.3.**
E.3 Marketable Assets		
E.3.1	Government debt	Holdings Government debt issues that are marketable.
E.3.2	Public Sector Entity debt	Holdings of PSE debt issues that are marketable.
E.3.3	Parent issued CDs, CP and FRNs	Marketable holdings of CDs, CP and FRNs that are issued by the parent bank of the reporting bank.
E.3.4	Other group - bank issued CDs, CP and FRNs	Marketable holdings of CDs, CP and FRNs that are issued by banks in the same group as the reporting bank other than its parent bank.
E.3.5	Other bank issued CDs, CP and FRNs	Marketable holdings of CDs, CP and FRNs that are issued by other banks.
E.3.6	Other CP	Holdings of marketable CP issued by corporates.
E.3.7	Debt to parent	Marketable holdings of debt not covered by E.3.3 issued by parent banks of the reporting bank.
E.3.8	Other group bank debt	Marketable holdings of debt not covered by E.3.4 issued by banks in the same group as the reporting bank.
E.3.9	Other bank debt	Marketable holdings of debt not covered by E.3.5 issued by other banks.
E.3.10	**SUBTOTAL**	**Total for "E.3 Marketable Assets", automatically completed as the sum of E.3.1 to E.3.9**
E.4	**Other Marketable Assets**	
E.4.1	Debt - group non-banking entities	Marketable holdings of debt issued by non-banking companies in the same group as the reporting bank.
E.4.2	Debt - Corporate	Marketable holdings of debt issued by other non-banking companies.

Item	Description	Guidance
E.4.3	Debt - Securitisation exposures - non equity	Marketable holdings of securitisation tranches, other than equity tranches.
E.4.4	Bank equity holdings	Marketable holdings of capital instruments, including equity, issued by banks.
E.4.5	Corporate equity holdings	Marketable holdings of equity issued by non-banking companies.
E.4.6	Securitisation exposures - equity tranche holdings	Marketable holdings of the equity tranches of securitisations.
E.4.7	**SUBTOTAL**	**Total for "E.4: Marketable Assets", automatically completed as the sum of E.4.1 to E.4.6**
E.5	**Loans and Advances**	
E.5.1	Loans to group non-banking entities	Loans to non banking companies in the same group as the reporting bank.
E.5.2	Loans to Sovereigns	Loans to sovereign governments and central banks.
E.5.3	Loans to Public Sector Entities	Loans to public sector entities.
E.5.4	Corporate Loans	All loans to financial and non-financial corporations other than those qualifying for reporting elsewhere in this section. [*Please see the guidance notes for items F2 and F3 in the next section for a definition of what is included in the financial and non-financial corporations categories*].
E.5.5	Retail loans	All loans other than residential mortgages. This box will calculate automatically from the three fields below.
E.5.5.1	*of which : Individuals and Households*	*Retail loans to Individuals and Households*
E.5.5.2	*of which : Trusts*	*Retail loans to individual Trusts for named beneficiaries.*

Item	Description	Guidance
E.5.5.3	*of which : Other*	*All other retail loans – i.e. loans to non-profit institutions serving households (e.g. charities, religious institutions, trades unions, consumer associations, etc.) and loans to unincorporated businesses other than unlimited liability partnerships (e.g. sole traders).*
E.5.6	Residential mortgages - Guernsey	Residential mortgages
E.5.7	Capital Connected Loans	Capital Connected Loans
E.5.8	**SUBTOTAL**	**Total for "E.5: Loans and Advances", automatically completed as the sum of E.5.1 to E.5.6.1 and E.5.6.2 to E.5.8**

E.6	**Non-marketable Investments**	
E.6.1	Government Debt	Non marketable holdings of debt issued by sovereigns.
E.6.2	Public Sector Entity debt	Non marketable holdings of debt issued by PSEs.
E.6.3	Debt to parent	Non marketable holdings of debt issued by parent banks of the reporting bank.
E.6.4	Other group bank debt	Non marketable holdings of debt issued by banks in the same group as the reporting bank.
E.6.5	Other bank debt	Non marketable holdings of debt issued by other banks.
E.6.6	Debt - group non-banking entities	Non marketable holdings of debt issued by non-banking companies in the same group as the reporting bank.
E.6.7	Debt - corporate	Non marketable holdings of debt issued by other non-banking companies.
E.6.8	Debt - securitisation exposures - non capital	Non marketable holdings of securitisation tranches, other than equity tranches.
E.6.9	Capital investment in subsidiaries and other associated companies	Investments in subsidiary and associated companies. Such companies include: (a) The reporting bank's ultimate parent; (b) All subsidiaries of that ultimate parent; (c) All companies with whom the reporting bank has entered into a joint venture, together with the joint venture itself and any subsidiaries of it; (d) All companies where the reporting bank is a significant shareholder and holds over 20% of that company's share capital; and (e) All companies where the reporting bank exercises management control.
E.6.10	Capital investment in other banks	Holdings of capital instruments issued by banks and other regulated financial services businesses.
E.6.11	Corporate equity	Non-marketable holdings of capital instruments, including equity, issued by non-banking companies.

E.6.12	Securitisation exposures - equity tranches	Marketable holdings of the equity tranches of securitisations.
E.6.13	**SUBTOTAL**	**Total for “E.6:Non-marketable Investments”, automatically completed as the sum of E.6.1 to E.6.12.**
E.7	**Other Financial**	
E.7.1	Items in suspense	Report all items in suspense.
E.7.2	Settlement Balances	Report all settlement balances due to the bank.
E.7.3	Debtors and Prepayments, interest receivable.	Report debtors and prepayments, and also interest receivable.
E.7.4	Operating leases	Report capitalised assets relating to operational leases.
E.7.5	All past due assets	Report all past due assets here (more than 90 days).
E.7.6	Other assets	Report all other assets.
E.7.7	**SUBTOTAL**	**Total for “E.7: Other Financial”, automatically completed as the sum of E.7.1 to E.7.6.**
E.8	**Other**	
E.8.1	Premises owned and occupied by the reporting bank	The reporting bank’s own premises should be included along with any property being developed for occupation. Also report here property owned by the registered person that is occupied by employees.
E.8.2	Other land and property owned by the reporting bank	Report here any other land and property owned by the reporting bank.
E.8.3	Plant, equipment, leasehold premises, and motor vehicles	Report here all other tangible fixed assets of the reporting bank.
E.8.4	Intangible assets including goodwill	Report here all intangible fixed assets of the reporting bank, including goodwill.

E.8.5	**SUBTOTAL**	**Total for “E.8: Other”, automatically completed as the sum of E.8.1 to E.8.4.**
E.9	**TOTAL ASSETS**	**Total of amounts reported above, automatically completed as the sum of the subtotals of E.1 to E.8.**

SECTION 4 BALANCE SHEET LIABILITIES

Detailed guidance

Item	**Nature of Item**	**Guidance**
F.1	**Deposits**	
F.1.1	Parent Bank	Deposits from Parent Bank
F.1.2	Other group banks	Deposits from other group banks
F.1.3	All other banks	Deposits from all other banks
F.1.4	**TOTAL BANKS**	**Automatically completed, being the sum of F.1.1 to F.1.3**
F1.5	Of which: Swiss fiduciary deposits	Deposits placed with the reporting bank (normally from group banks) as “Swiss fiduciary deposits” should be reported here as an ‘Of which’ item
F.2	**FINANCIAL CORPORATIONS**	**Deposits from all other financial corporations.** This includes but is not limited to those institutions in the financial sector that are principally engaged in financial intermediation, and whose business involves investments, contracts of insurance or the provision of loans or the administration or management of them or any of them. For example, this item includes collective investment funds (i.e. open- or closed-ended unit trusts, investment companies or limited partnerships); investment trusts; partnerships or sole traders involved in the provision of financial services, credit unions, factoring companies, pension funds, leasing companies, insurance corporations, securities dealers, stock exchange money brokers, gilt-edged market makers, insurance brokers, loan brokers, financial planning consultants, salvage administrators, loss adjusters, stock exchanges, financial supervisory agencies, the Corporation of Lloyd’s, bank holding companies and other financial holding companies, finance houses, consumer credit companies and mortgage finance vehicles.

Item	Nature of Item	Guidance
F.3	**NON-FINANCIAL CORPORATIONS**	**Deposits from all non-financial corporations.** This includes limited and unlimited liability companies and partnerships (including sole traders not encompassed by the financial corporations definition above), chartered, statutory and other corporate bodies.
F.4	**PUBLIC SECTOR**	**Deposits from all public sector bodies.**
F.5.1	Individuals and Households	Deposits from all Individuals and Households.
F.5.2	Trusts	Deposits from all individual Trusts for named beneficiaries.
F.5.3	Other	All other deposits. This includes deposits from unincorporated businesses other than unlimited liability partnerships (e.g. sole traders) and non-profit institutions serving households (e.g. charities, religious institutions, trades unions, consumer associations, etc.).
F.5.4	**TOTAL HOUSEHOLDS AND INDIVIDUAL TRUSTS**	**Total of F.5.1 to F.5.3**
F.6	**ALL OTHER DEPOSITS**	**All other deposits not falling within items F1 to F5.**
F.7	**TOTAL DEPOSITS**	**Total of F.1 to F.6**
F.8	**CDs and Other Debt**	
F.8.1	Certificates of deposit issued	Report here CDs issued by the reporting bank.
F.8.2	Structure products issued (non-deposits)	Structured deposits issued by the bank not reported in item F.8.2
F.8.3	Promissory notes, bills and other short term paper issued	Report here all other short term paper (less than one year) issued by the reporting bank.
F.8.4	Non - Capital term debt issued	Report here all other debt issued by the reporting bank, other than where the debt is eligible for inclusion as regulatory capital.
F.8.5	**SUBTOTAL**	**Automatically completed, being the sum of F.8.1 to F.8.4.**

Item	Nature of Item	Guidance
F.9	**Creditors & Accruals etc**	
F.9.1	Interest payable	Report interest accrued but not paid.
F.9.2	Creditors and accruals	Report amounts owed to all creditors of the bank.
F.9.3	Current taxation	Report taxation accrued for the current year but not paid.
F.9.4	Other taxation	Report all other amounts accrued for taxation but not paid.
F.9.5	Settlement balances	Report here settlement amounts due to be paid.
F.9.6	Items in suspense	Report all amounts payable in suspense here.
F.9.7	Revenue reserves, own funds and unverified profits	Report revenue reserves, own funds and unverified profits
F.9.8	Other liabilities	Report any liability item not falling within one of the other above categories.
F.9.9	**SUBTOTAL**	**Automatically completed, being the sum of F.9.1 to F.9.8.**
F.10	**SUBTOTAL LIABILITIES**	**Automatically completed, being the sum of F.7, F.8.5, and F.9.9** **This is called TOTAL LIABILITIES for branches**

Annex A

Criteria for classification as common shares for regulatory capital purposes

1. Represents the most subordinated claim in liquidation of the bank.

2. Entitled to a claim on the residual assets that is proportional with its share of issued capital, after all senior claims have been repaid in liquidation (i.e. has an unlimited and variable claim, not a fixed or capped claim).

3. Principal is perpetual and never repaid outside of liquidation (setting aside discretionary repurchases or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law).

4. The bank does nothing to create an expectation at issuance that the instrument willbe bought back, redeemed or cancelled nor do the statutory or contractual terms provide any feature which might give rise to such an expectation.

5. Distributions are paid out of distributable items (retained earnings included). The level of distributions is not in any way tied or linked to the amount paid in at issuance and is not subject to a contractual cap (except to the extent that a bank is unable to pay distributions that exceed the level of distributable items).

6. There are no circumstances under which the distributions are obligatory. Non-payment is therefore not an event of default.

7. Distributions are paid only after all legal and contractual obligations have been met and payments on more senior capital instruments have been made. This means that there are no preferential distributions, including in respect of other elements classified as the highest quality issued capital.

8. It is the issued capital that takes the first and proportionately greatest share of any losses as they occur. Within the highest quality capital, each instrument absorbs losses on a going concern basis proportionately and pari passu with all the others.

9. The paid in amount is recognised as equity capital (i.e. not recognised as a liability) for determining balance sheet insolvency.

10. The paid in amount is classified as equity under the relevant accounting standards.

11. It is directly issued and paid-in and the bank cannot directly or indirectly have funded the purchase of the instrument.

12. The paid in amount is neither secured nor covered by a guarantee of the issuer or related entity or subject to any other arrangement that legally or economically enhances the seniority of the claim.

13. It is only issued with the approval of the owners of the issuing bank, either given directly by the owners or, if permitted by applicable law, given by the Board of Directors or by other persons duly authorised by the owners.

14. It is clearly and separately disclosed on the bank's balance sheet.

Annex B

Criteria for inclusion in Additional Tier 1 capital

An instrument issued by a bank must meet or exceed the following minimum set of criteria for in order for it to be included in Additional Tier 1 capital.

1. Issued and paid-in
2. Subordinated to depositors, general creditors and subordinated debt of the bank
3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors
4. Is perpetual, i.e. there is no maturity date and there are no step-ups or other incentives to redeem
5. May be callable at the initiative of the issuer only after a minimum of five years:

a. To exercise a call option a bank must receive prior supervisory approval; and

b. A bank must not do anything which creates an expectation that the call will be exercised; and

c. Banks must not exercise a call unless:

i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank[1]; or

ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.[2]

6. Any repayment of principal (e.g. through repurchase or redemption) must be with prior supervisory approval and banks should not assume or create market expectations that supervisory approval will be given

7. Dividend/coupon discretion:

a. the bank must have full discretion at all times to cancel distributions/payments

b. cancellation of discretionary payments must not be an event of default

c. banks must have full access to cancelled payments to meet obligations as they fall due

d. cancellation of distributions/payments must not impose restrictions on the bank except in relation to distributions to common stockholders.

8. Dividends/coupons must be paid out of distributable items

9. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking organisation's credit standing.

10. The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of national insolvency law[3].

[1] Replacement issues can be concurrent with but not after the instrument is called.

[2] Minimum refers to the total minimum capital requirement prescribed by the Commission comprising Pillar 1, Pillar 2 and Capital Conservation Buffer.

[3] The instrument cannot contribute to the value of liabilities for the purposes of the solvency test under the Companies (Guernsey) Law, 2008.

11. Instruments classified as liabilities for accounting purposes must have principal loss absorption through either (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects:

    a. Reduce the claim of the instrument in liquidation;
    b. Reduce the amount re-paid when a call is exercised; and
    c. Partially or fully reduce coupon/dividend payments on the instrument.

    The trigger point for write-down/conversion of loss absorbing instruments classified as liabilities must be at least the minimum for Common Equity Tier 1 capital.

    The write-down/conversion must generate CET1 under the relevant accounting standards and the instrument will only receive recognition in Additional Tier 1 up to the minimum level of CET1 generated by a full write-down/conversion of the instrument.

    The aggregate amount to be written-down/converted for all such instruments on breaching the trigger level must be at least the amount needed to immediately return the bank's CET1 ratio to the minimum ratio required or, if this is not possible, the full principal value of the instrument.

12. Neither the bank nor a related party over which the bank exercises control or significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument.

13. The instrument cannot have any features that hinder recapitalisation, such as provisions that require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.

14. If the instrument is not issued out of an operating entity or the holding company in the consolidated group (eg a special purpose vehicle – "SPV"), proceeds must be immediately available without limitation to an operating entity[4] or the holding company in the consolidated group in a form which meets or exceeds all of the other criteria for inclusion in Additional Tier 1 capital.

[4] An operating entity is an entity set up to conduct business with clients with the intention of earning a profit in its own right.

ANNEX C

Criteria for inclusion in Tier 2 Capital

1. Issued and paid-in
2. Subordinated to depositors and general creditors of the bank
3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and general bank creditors
4. Maturity:
    a. minimum original maturity of at least five years
    b. recognition in regulatory capital in the remaining five years before maturity will be amortised on a straight line basis
    c. there are no step-ups or other incentives to redeem
5. May be callable at the initiative of the issuer only after a minimum of five years:
    a. To exercise a call option a bank must receive prior supervisory approval;
    b. A bank must not do anything that creates an expectation that the call will be exercised[5]; and
    c. Banks must not exercise a call unless:
        i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank[6]; or
        ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.
6. The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation.
7. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking organisation’s credit standing.
8. Neither the bank nor a related party over which the bank exercises control or

[5] An option to call the instrument after five years but prior to the start of the amortisation period will not be viewed as an incentive to redeem as long as the bank does not do anything that creates an expectation that the call will be exercised at this point.

[6] Replacement issues can be concurrent with but not after the instrument is called.

significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument.

9. If the instrument is not issued out of an operating entity or the holding company in the consolidated group (e.g. a special purpose vehicle – “SPV”), proceeds must be immediately available without limitation to an operating entity or the holding company in the consolidated group in a form which meets or exceeds all of the other criteria for inclusion in Tier 2 Capital.

10. Instruments classified as liabilities for accounting purposes must have principal loss absorption through either (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects:

   a. Reduce the claim of the instrument in liquidation;
   b. Reduce the amount re-paid when a call is exercised; and
   c. Partially or fully reduce coupon/dividend payments on the instrument.

The trigger point for write-down/conversion of loss absorbing instruments classified as liabilities must be at least the minimum for Common Equity Tier 1 capital.

The write-down/conversion must generate CET1 under the relevant accounting standards and the instrument will only receive recognition in Tier 2 up to the minimum level of CET1 generated by a full write-down/conversion of the instrument.

The aggregate amount to be written-down/converted for all such instruments on breaching the trigger level must be at least the amount needed to immediately return the bank’s CET1 ratio to the minimum ratio required or, if this is not possible, the full principal value of the instrument.

Annex D

Transitional Arrangements – Illustrative examples

If an item was £100 million and the transitional adjustment was 60% in 2014 then the adjustment would be £60 million, reported as:

- Value: £60 million;
- Transitional: £100 million; and
- Transitional cap: 60% (the 2014 cap).

The treatment of AT1 and Tier 2 transitional items is more complicated as the amount permitted is not simply reduced; instead it is capped at an amount equal to the relevant (reducing over time) transitional cap percentage multiplied by a fixed amount, being the amount included in capital at a fixed date - 1 January 2013. In this case, the layout provides an additional cell so that full data can be provided.

If a bank's capital included £100 million of preference shares at 1 January 2013 (and this would become ineligible under Basel III) then this amount would be the initial cap. If the transitional cap percentage was 60% in 2016, then up to £60 million could be included. Thus, assuming no change in the item itself, the bank would report, in 2016:

- Value: £60 million (lower of 2016 cap and 2016 amount);
- Transitional: £100 million (2016 amount); and
- Transitional cap: £100 million in the (new) upper cell, 60% in the lower cell (from which the 2016 cap can be seen to be £60 million).

As, for these items, the cap is derived from the original amount, it follows that in the case that the item in the above example reduced from £100 million to £75 million (say, due to a maturity) by 2016, the amount allowed, after transitional adjustments are applied, would not change as this lower value still exceeds the cap. The amounts reported would then be:

- Value: £60 million (lower of 2016 cap and 2016 amount);
- Transitional: £75 million (2016 amount); and
- Transitional cap: £100 million in the upper cell, 60% in the lower cell (from which the 2016 cap can be seen to be £60 million).

In the case that the item in the above example had instead reduced from £100 million to £50 million by 2016, the amount allowed after transitional adjustments are applied would decrease, as this lower value is below the cap, resulting in the full amount being eligible to be included in capital. The amounts reported would then be:

- Value: £50 million (lower of 2016 cap and 2016 amount);
- Transitional: £50 million (2016 amount); and
- Transitional cap: £100 million in the upper cell, 60% in the lower cell (from which the 2016 cap can be seen to be £60 million).

Finally, in the above case where the item reduced from £100 million to £50 million by 2016, if it remained at that level until 2018, the amount allowed after transitional adjustments are applied would decrease as this lower value would then exceed the cap again. The amounts reported would then be:

- Value: £40 million (lower of 2018 cap and 2018 amount);
- Transitional: £50 million (2018 amount); and
- Transitional cap: £100 million in the upper cell, 40% in the lower cell (from which the 2018 cap can be seen to be £40 million).