

SCHEDULES

SCHEDULE 19

THE BANK LEVY

PART 4

CHARGEABLE EQUITY AND LIABILITIES

Definition of “assets”, “equity” and “liabilities”

- 14 (1) For the purposes of this Schedule, “assets”, “equity” and “liabilities” have the same meaning as they have for the purposes of international accounting standards.
- (2) Sub-paragraph (1) is without prejudice to any provision of this Schedule which requires anything to be determined by reference to amounts which are recognised, or amounts which would have been recognised, in consolidated financial statements or financial statements prepared under UK GAAP.

Chargeable equity and liabilities of a UK banking group or a building society group

- 15 (1) This paragraph applies if the relevant group is a UK banking group or a building society group.
- (2) To determine the amount of the relevant group’s chargeable equity and liabilities—
- (a) determine the amount of the group’s equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust that amount in accordance with paragraphs 16 and 44 (so far as applicable), and
 - (c) finally, reduce that amount (but not below nil) by—
 - (i) the amount of the group’s high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 16(4) applies, and
 - (ii) where sub-paragraph (4) applies, the amount determined under that sub-paragraph.
- (3) Sub-paragraph (4) applies where—
- (a) as at the end of the chargeable period, the assets of the group include a financial asset in respect of an advance of cash made by a member of the group,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (2)(b), is an asset to which paragraph 16(4) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by that member which would form part of the group’s high quality liquid assets as

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at the end of that period were the collateral, rather than the financial asset, an asset of the group.

- (4) The amount within sub-paragraph (2)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (5) For the purposes of this paragraph and paragraph 16 the relevant group’s assets, equity and liabilities are to be determined by reference to—
- (a) the amounts recognised in the group’s consolidated financial statements for the chargeable period as prepared under international accounting standards or UK GAAP, or
 - (b) if no such financial statements are prepared, the amounts which would have been so recognised had consolidated financial statements for the group been prepared for the chargeable period under international accounting standards.
- (6) In reducing the amount of any equity or liabilities under sub-paragraph (2)(c), long term equity and liabilities are to be reduced before short term liabilities.
- 16 (1) This paragraph applies for the purposes of paragraph 15(2) if—
- (a) a member (“M”) of the relevant group has liabilities to an entity (“N”) which is not a member of the group and N has assets which correspond to those liabilities (“M’s liabilities”),
 - (b) M, or another member of the relevant group, has assets which correspond to liabilities which N, or another entity which is not a member of the group, has to M or (as the case may be) that other member (“N’s liabilities”),
 - (c) there is in place an agreement which makes provision for there to be a single net settlement of all M’s liabilities, and liabilities of other members of the group to N or another entity which is not a member of the group, (so far as covered by the provision) and all N’s liabilities (so far as covered by the provision) if the netting event occurs, and
 - (d) the provision mentioned in paragraph (c) is legally effective and enforceable.
- (2) For the purposes of sub-paragraph (1)—
- (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
 - (b) references to assets of one party which correspond to liabilities of another party are to amounts receivable by that first party which correspond to amounts due from that other party,
 - (c) a liability which M has to N to which sub-paragraph (3) applies is to be treated as a liability to which an asset of N corresponds, and
 - (d) “the netting event occurs” if the insolvency or bankruptcy of—
 - (i) M, or another member of the relevant group which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (1)(c), or
 - (ii) N, or another entity which is not a member of the group and which has such a liability,
 gives rise to the termination of any arrangements under which such a liability arises.

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- (3) This sub-paragraph applies to a liability which M has to N if—
- (a) as at the end of the chargeable period, the assets of the relevant group include a financial asset in respect of an advance of cash made by M to N,
 - (b) underlying that asset, as collateral, are securities which have been transferred by M to another person,
 - (c) the liability is a financial liability in respect of M's obligation to return the securities or similar securities to N, and
 - (d) the provision mentioned in sub-paragraph (1)(c) covers both the financial asset mentioned in paragraph (a) and that financial liability.

Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of this sub-paragraph as it applies for the purposes of Chapter 10 of Part 6 of that Act.

- (4) The amount of M's net settlement liabilities is to be reduced (but not below nil) by the amount of M's net settlement assets.
- (5) "M's net settlement liabilities" means M's liabilities so far as they—
- (a) are covered by the provision mentioned in sub-paragraph (1)(c), and
 - (b) are not excluded liabilities.
- (6) "M's net settlement assets" means the assets of M, or of another member of the relevant group, so far as corresponding to N's net settlement liabilities.
- (7) But if this paragraph applies in relation to more than one member of the relevant group, no part of an asset may be included in the net settlement assets of more than one such member.
- (8) "N's net settlement liabilities" means N's liabilities so far as they are covered by the provision mentioned in sub-paragraph (1)(c).
- (9) If M's net settlement liabilities exceed M's net settlement assets, and a proportion (A%) of those liabilities is long term liabilities and a proportion (B%) of those liabilities is short term liabilities, under sub-paragraph (4)—
- (a) the long term liabilities are reduced by A% of M's net settlement assets, and
 - (b) the short term liabilities are reduced by B% of those assets.

Chargeable equity and liabilities of a foreign banking group

- 17 (1) This paragraph applies if the relevant group is a foreign banking group.
- (2) The amount of the chargeable equity and liabilities of the relevant group is the sum of all type A, type B, type C and type D equity and liabilities.
- (3) Type A equity and liabilities are the chargeable equity and liabilities of any relevant UK sub-group.
- (4) "UK sub-group" means a group of entities—
- (a) which is a group for the purposes of those provisions of international accounting standards or UK GAAP which relate to the preparation of consolidated financial statements,
 - (b) which has as its parent or parent undertaking for the purposes of those provisions an entity which is a UK resident entity, and

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- (c) the members of which for the purposes of those provisions are all members of the relevant group.
- (5) A UK sub-group is “relevant” if—
- (a) consolidated financial statements for the chargeable period are prepared for it under international accounting standards or UK GAAP, and
 - (b) its members are not members of any larger UK sub-group for which such financial statements are prepared.
- (6) To determine the amount of the chargeable equity and liabilities of a relevant UK sub-group—
- (a) determine the amount of the sub-group’s equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust that amount in accordance with paragraphs 18 and 44 (so far as applicable), and
 - (c) finally, reduce that amount (but not below nil) by—
 - (i) the amount of the sub-group’s high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 18(12) applies, and
 - (ii) where sub-paragraph (8) applies, the amount determined under that sub-paragraph.
- (7) Sub-paragraph (8) applies where—
- (a) as at the end of the chargeable period, the assets of the relevant UK sub-group include a financial asset in respect of an advance of cash made by a member of that sub-group,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (6)(b), is an asset to which paragraph 18(12) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by that member which would form part of the sub-group’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the sub-group.
- (8) The amount within sub-paragraph (6)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (9) For the purposes of this paragraph and paragraph 18, the assets, equity and liabilities of a relevant UK sub-group are to be determined by reference to the amounts recognised in its consolidated financial statements for the chargeable period.
- (10) Type B equity and liabilities are the chargeable equity and liabilities of any UK resident entity which—
- (a) is a member of the relevant group, but
 - (b) is not a member of a relevant UK sub-group.
- (11) Type C equity and liabilities are the chargeable equity and liabilities of any non-UK resident entity which—

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- (a) is a member of the relevant group, and
 - (b) is a member of a UK sub-group but is not a member of a relevant UK sub-group.
- (12) To determine the amount of the chargeable equity and liabilities of an entity covered by sub-paragraph (10) or (11)—
- (a) determine the amount of the entity’s equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust that amount in accordance with paragraphs 18 and 44 (so far as applicable), and
 - (c) finally, reduce that amount (but not below nil) by—
 - (i) the amount of the entity’s high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 18(12) applies, and
 - (ii) where sub-paragraph (14) applies, the amount determined under that sub-paragraph.
- (13) Sub-paragraph (14) applies where—
- (a) as at the end of the chargeable period, the assets of the entity include a financial asset in respect of an advance of cash made by the entity,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (12)(b), is an asset to which paragraph 18(12) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by that entity which would form part of the entity’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the entity.
- (14) The amount within sub-paragraph (12)(c)(ii) is—
- (a) the amount of the financial asset as at the end of the chargeable period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (15) For the purposes of this paragraph and paragraph 18 the assets, equity and liabilities of an entity covered by sub-paragraph (10) or (11) are to be determined by reference to—
- (a) the amounts recognised in the entity’s financial statements for the chargeable period as prepared under international accounting standards or UK GAAP, or
 - (b) if no such financial statements are prepared, the amounts which would have been so recognised had such financial statements been prepared—
 - (i) under international accounting standards, or
 - (ii) under UK GAAP if that is what the entity prepares its financial statements under.
- (16) In reducing the amount of any equity or liabilities under sub-paragraph (6)(c) or (12) (c), long term equity and liabilities are to be reduced before short term liabilities.
- (17) Type D equity and liabilities are the UK allocated equity and liabilities (see paragraph 24) as at the end of the chargeable period of any relevant foreign bank which—

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- (a) is a member of the relevant group, but
 - (b) is not a member of a UK sub-group.
- (18) If—
- (a) the amount of the equity and liabilities, as at the end of the chargeable period, of a relevant UK sub-group or an entity covered by sub-paragraph (10) or (11), or
 - (b) the amount of the UK allocated equity and liabilities, as at the end of that period, of a relevant foreign bank covered by sub-paragraph (17),
- is less than £50,000,000, the equity and liabilities, or UK allocated equity and liabilities, may be ignored for the purposes of this paragraph and paragraph 18.
- (19) But the total amount of equity and liabilities which may be ignored under sub-paragraph (18) may not exceed £200,000,000.
- 18 (1) This paragraph applies for the purposes of paragraph 17(6) and (12).
- (2) In this paragraph “relevant member” means—
- (a) a relevant UK sub-group,
 - (b) a UK resident entity covered by paragraph 17(10), or
 - (c) a non-UK resident entity covered by paragraph 17(11).
- (3) Sub-paragraph (4) applies if the members of a relevant UK sub-group are also members of one or more larger UK sub-groups.
- (4) Any equity of the relevant UK sub-group is to be left out so far as it would have been eliminated under normal consolidation procedures had consolidated financial statements for the chargeable period been prepared for the larger or largest UK sub-group—
- (a) under international accounting standards, or
 - (b) under UK GAAP if the entity which is the parent or parent undertaking for the larger or largest UK sub-group prepares its financial statements under UK GAAP.
- (5) Sub-paragraph (6) applies if a relevant member within sub-paragraph (2)(b) or (c) is a member of one or more UK sub-groups.
- (6) Any equity of the relevant member is to be left out so far as it would have been eliminated under normal consolidation procedures had consolidated financial statements for the chargeable period been prepared for the UK sub-group or the largest UK sub-group—
- (a) under international accounting standards, or
 - (b) under UK GAAP if the entity which is the parent or parent undertaking for the UK sub-group or the largest UK sub-group prepares its financial statements under UK GAAP.
- (7) The following liabilities of a relevant member are to be left out—
- (a) liabilities to other relevant members, and
 - (b) liabilities to a relevant foreign bank covered by paragraph 17(17) so far as the bank’s assets corresponding to the liabilities are assets of the permanent establishment through which the bank carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1).
- (8) Sub-paragraph (12) applies if—

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- (a) an entity (“M”) within sub-paragraph (9) has liabilities to another entity (“N”) not within that sub-paragraph, and N has assets which correspond to those liabilities (“M’s liabilities”),
 - (b) M, or another entity within sub-paragraph (9), has assets which correspond to liabilities which N, or another entity not within that sub-paragraph, has to M or (as the case may be) to that other entity within that sub-paragraph (“N’s liabilities”),
 - (c) there is in place an agreement which makes provision for there to be a single net settlement of all M’s liabilities, and liabilities of other entities within sub-paragraph (9) to N or another entity which is not within that sub-paragraph, (so far as covered by the provision) and all N’s liabilities (so far as covered by the provision) if the netting event occurs, and
 - (d) the provision mentioned in paragraph (c) is legally effective and enforceable.
- (9) An entity is within this sub-paragraph if it is—
- (a) a member of a relevant UK sub-group, or
 - (b) a relevant member within sub-paragraph (2)(b) or (c).
- (10) For the purposes of sub-paragraph (8)—
- (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
 - (b) if N is a relevant foreign bank covered by paragraph 17(17), liabilities of M to N are to be ignored so far as N’s assets corresponding to those liabilities are assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),
 - (c) references to assets of one party which correspond to liabilities of another party are to amounts receivable by that first party which correspond to amounts due from that other party,
 - (d) a liability which M has to N to which sub-paragraph (11) applies is to be treated as a liability to which an asset of N corresponds, and
 - (e) “the netting event occurs” if the insolvency or bankruptcy of—
 - (i) M, or another entity within sub-paragraph (9) which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (8)(c), or
 - (ii) N, or another entity not within sub-paragraph (9) which has such a liability,gives rise to the termination of any arrangements under which such a liability arises.
- (11) This sub-paragraph applies to a liability which M has to N if—
- (a) as at the end of the chargeable period, the assets of M include a financial asset in respect of an advance of cash made by M to N,
 - (b) underlying that asset, as collateral, are securities which have been transferred by M to another person,
 - (c) the liability is a financial liability in respect of M’s obligation to return the securities or similar securities to N, and
 - (d) the provision mentioned in sub-paragraph (8)(c) covers both the financial asset mentioned in paragraph (a) and that financial liability.

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Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of this sub-paragraph as it applies for the purposes of Chapter 10 of Part 6 of that Act.

- (12) The amount of M's net settlement liabilities is to be reduced (but not below nil) by the amount of M's net settlement assets.
- (13) "M's net settlement liabilities" means M's liabilities so far as they—
- (a) are covered by the provision mentioned in sub-paragraph (8)(c), and
 - (b) are not excluded liabilities.
- (14) "M's net settlement assets" means the assets of M, or of another entity within sub-paragraph (9), so far as corresponding to N's net settlement liabilities.
- (15) But—
- (a) if N's net settlement liabilities include liabilities of a relevant foreign bank covered by paragraph 17(17), X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of the relevant foreign bank are to be disregarded for the purposes of sub-paragraph (14), and
 - (b) if sub-paragraph (12) applies in relation to more than one entity within sub-paragraph (9), no part of an asset may be included in the net settlement assets of more than one such entity.
- (16) "N's net settlement liabilities" means N's liabilities so far as they are covered by the provision mentioned in sub-paragraph (8)(c).
- (17) If M's net settlement liabilities exceed M's net settlement assets, and a proportion (A%) of those liabilities is long term liabilities and a proportion (B%) of those liabilities is short term liabilities, under sub-paragraph (12)—
- (a) the long term liabilities are reduced by A% of M's net settlement assets, and
 - (b) the short term liabilities are reduced by B% of those assets.

Chargeable equity and liabilities of a relevant non-banking group

- 19 (1) This paragraph applies if the relevant group is a relevant non-banking group.
- (2) The amount of the chargeable equity and liabilities of the relevant group is the sum of all type A, type B, type C and type D equity and liabilities.
- (3) Type A equity and liabilities are the chargeable equity and liabilities of any relevant UK banking sub-group.
- (4) "UK banking sub-group" means a group of entities—
- (a) which is a group for the purposes of those provisions of international accounting standards or UK GAAP which relate to the preparation of consolidated financial statements,
 - (b) which has as its parent or parent undertaking for the purposes of those provisions an entity which is a UK resident bank, and
 - (c) the members of which are all members of the relevant group.
- (5) A UK banking sub-group is "relevant" if—
- (a) consolidated financial statements for the chargeable period are prepared for it under international accounting standards or UK GAAP, and

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- (b) its members are not members of any larger UK banking sub-group for which such financial statements are prepared.
- (6) To determine the amount of the chargeable equity and liabilities of a relevant UK banking sub-group—
- (a) determine the amount of the sub-group’s equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust the amount in accordance with paragraphs 20 and 44 (so far as applicable), and
 - (c) finally, reduce the amount (but not below nil) by—
 - (i) the amount of the sub-group’s high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 20(12) applies, and
 - (ii) where sub-paragraph (8) applies, the amount determined under that sub-paragraph.
- (7) Sub-paragraph (8) applies where—
- (a) as at the end of the chargeable period, the assets of the relevant UK banking sub-group include a financial asset in respect of an advance of cash made by a member of the sub-group,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (6)(b), is an asset to which paragraph 20(12) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by that member which would form part of the sub-group’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the sub-group.
- (8) The amount within sub-paragraph (6)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (9) For the purposes of this paragraph and paragraph 20 the assets, equity and liabilities of a relevant UK banking sub-group are to be determined by reference to the amounts recognised in its consolidated financial statements for the chargeable period.
- (10) Type B equity and liabilities are the chargeable equity and liabilities of any UK resident bank which—
- (a) is a member of the relevant group, but
 - (b) is not a member of a relevant UK banking sub-group.
- (11) Type C equity and liabilities are the chargeable equity and liabilities of any entity (apart from a UK resident bank) which—
- (a) is a member of the relevant group, and
 - (b) is a member of a UK banking sub-group but is not a member of a relevant UK banking sub-group.
- (12) To determine the amount of the chargeable equity and liabilities of an entity covered by sub-paragraph (10) or (11)—

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- (a) determine the amount of the entity's equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust the amount in accordance with paragraphs 20 and 44 (so far as applicable), and
 - (c) finally, reduce the amount (but not below nil) by—
 - (i) the amount of the entity's high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 20(12) applies, and
 - (ii) where sub-paragraph (14) applies, the amount determined under that sub-paragraph.
- (13) Sub-paragraph (14) applies where—
- (a) as at the end of the chargeable period, the assets of the entity include a financial asset in respect of an advance of cash made by the entity,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (12)(b), is an asset to which paragraph 20(12) applies, and
 - (c) underlying that asset, as collateral, is an item ("the collateral") owned by that entity which would form part of the entity's high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the entity.
- (14) The amount within sub-paragraph (12)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (15) For the purposes of this paragraph and paragraph 20 the assets, equity and liabilities of an entity covered by sub-paragraph (10) or (11) are to be determined by reference to—
- (a) the amounts recognised in the entity's financial statements for the chargeable period as prepared under international accounting standards or UK GAAP, or
 - (b) if no such financial statements are prepared, the amounts which would have been so recognised had such financial statements been prepared—
 - (i) under international accounting standards, or
 - (ii) under UK GAAP if that is what the entity prepares its financial statements under.
- (16) In reducing the amount of any equity or liabilities under sub-paragraph (6)(c) or (12)(c), long term equity and liabilities are to be reduced before short term liabilities.
- (17) Type D equity and liabilities are the UK allocated equity and liabilities (see paragraph 24) as at the end of the chargeable period of any relevant foreign bank which—
- (a) is a member of the relevant group, but
 - (b) is not a member of a UK banking sub-group.
- (18) If—

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- (a) the amount of the equity and liabilities, as at the end of the chargeable period, of a relevant UK banking sub-group or an entity covered by sub-paragraph (10) or (11), or
 - (b) the amount of the UK allocated equity and liabilities, as at the end of that period, of a relevant foreign bank covered by sub-paragraph (17),is less than £50,000,000, the equity and liabilities, or UK allocated equity and liabilities, may be ignored for the purposes of this paragraph and paragraph 20.
- (19) But the total amount of equity and liabilities which may be ignored under sub-paragraph (18) may not exceed £200,000,000.
- 20 (1) This paragraph applies for the purposes of paragraph 19(6) and (12).
- (2) In this paragraph “relevant member” means—
 - (a) a relevant UK banking sub-group,
 - (b) a UK resident bank covered by paragraph 19(10), or
 - (c) an entity covered by paragraph 19(11).
- (3) Sub-paragraph (4) applies if the members of a relevant UK banking sub-group are also members of one or more larger UK banking sub-groups.
- (4) Any equity of the relevant UK banking sub-group is to be left out so far as it would have been eliminated under normal consolidation procedures had consolidated financial statements for the chargeable period been prepared for the larger or largest UK banking sub-group—
 - (a) under international accounting standards, or
 - (b) under UK GAAP if the entity which is the parent or parent undertaking for the larger or largest UK banking sub-group prepares its financial statements under UK GAAP.
- (5) Sub-paragraph (6) applies if a relevant member within sub-paragraph (2)(b) or (c) is a member of one or more UK banking sub-groups.
- (6) Any equity of the relevant member is to be left out so far as it would have been eliminated under normal consolidation procedures had consolidated financial statements for the chargeable period been prepared for the UK banking sub-group or the largest UK banking sub-group—
 - (a) under international accounting standards, or
 - (b) under UK GAAP if the entity which is the parent or parent undertaking for the UK banking sub-group or the largest UK banking sub-group prepares its financial statements under UK GAAP.
- (7) The following liabilities of a relevant member are to be left out—
 - (a) liabilities to other relevant members, and
 - (b) liabilities to a relevant foreign bank covered by paragraph 19(17) so far as the bank’s assets corresponding to the liabilities are assets of the permanent establishment through which the bank carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1).
- (8) Sub-paragraph (12) applies if—
 - (a) an entity (“M”) within sub-paragraph (9) has liabilities to another entity (“N”) not within that sub-paragraph, and N has assets which correspond to those liabilities (“M’s liabilities”),

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- (b) M, or another entity within sub-paragraph (9), has assets which correspond to liabilities which N, or another entity not within that sub-paragraph, has to M or, as the case may be, to that other entity within that sub-paragraph (“N’s liabilities”),
 - (c) there is in place an agreement which makes provision for there to be a single net settlement of all M’s liabilities, and liabilities of other entities within sub-paragraph (9) to N or another entity which is not within that sub-paragraph, (so far as covered by the provision) and all N’s liabilities (so far as covered by the provision) if the netting event occurs, and
 - (d) the provision mentioned in paragraph (c) is legally effective and enforceable.
- (9) An entity is within this sub-paragraph if it is—
- (a) a member of a relevant UK banking sub-group, or
 - (b) a relevant member within sub-paragraph (2)(b) or (c).
- (10) For the purposes of sub-paragraph (8)—
- (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
 - (b) if N is a relevant foreign bank covered by paragraph 19(17), liabilities of M to N are to be ignored so far as N’s assets corresponding to those liabilities are assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),
 - (c) references to assets of one party which correspond to liabilities of another party are to amounts receivable by that first party which correspond to amounts due from that other party,
 - (d) a liability which M has to N to which sub-paragraph (11) applies is to be treated as a liability to which an asset of N corresponds, and
 - (e) “the netting event occurs” if the insolvency or bankruptcy of—
 - (i) M, or another entity within sub-paragraph (9) which has assets which correspond to a liability covered by the provision mentioned in sub-paragraph (8)(c), or
 - (ii) N, or another entity not within sub-paragraph (9) which has such a liability,
 gives rise to the termination of any arrangements under which such a liability arises.
- (11) This sub-paragraph applies to a liability which M has to N if—
- (a) as at the end of the chargeable period, the assets of M include a financial asset in respect of an advance of cash made by M to N,
 - (b) underlying that asset, as collateral, are securities which have been transferred by M to another person,
 - (c) the liability is a financial liability in respect of M’s obligation to return the securities or similar securities to N, and
 - (d) the provision mentioned in sub-paragraph (8)(c) covers both the financial asset mentioned in paragraph (a) and that financial liability.

Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of this sub-paragraph as it applies for the purposes of Chapter 10 of Part 6 of that Act.

- (12) The amount of M’s net settlement liabilities is to be reduced (but not below nil) by the amount of M’s net settlement assets.

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- (13) “M’s net settlement liabilities” means M’s liabilities so far as they—
- (a) are covered by the provision mentioned in sub-paragraph (8)(c), and
 - (b) are not excluded liabilities.
- (14) “M’s net settlement assets” means the assets of M, or of another entity within sub-paragraph (9), so far as corresponding to N’s net settlement liabilities.
- (15) But—
- (a) if N’s net settlement liabilities include liabilities of a relevant foreign bank covered by paragraph 19(17), X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of the relevant foreign bank are to be disregarded for the purposes of sub-paragraph (14), and
 - (b) if sub-paragraph (12) applies in relation to more than one entity within sub-paragraph (9), no part of an asset may be included in the net settlement assets of more than one such entity.
- (16) “N’s net settlement liabilities” means N’s liabilities so far as they are covered by the provision mentioned in sub-paragraph (8)(c).
- (17) If M’s net settlement liabilities exceed M’s net settlement assets, and a proportion (A%) of those liabilities is long term liabilities and a proportion (B%) of those liabilities is short term liabilities, under sub-paragraph (12)—
- (a) the long term liabilities are reduced by A% of M’s net settlement assets, and
 - (b) the short term liabilities are reduced by B% of those assets.

Chargeable equity and liabilities of UK resident banks and building societies which are not members of groups

- 21 (1) This paragraph applies where the bank levy is charged as provided for by paragraph 5 and the relevant entity is a UK resident bank or a building society.
- (2) To determine the amount of the relevant entity’s chargeable equity and liabilities—
- (a) determine the amount of the entity’s equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust that amount in accordance with paragraphs 22 and 44 (so far as applicable), and
 - (c) finally, reduce that amount (but not below nil) by—
 - (i) the amount of the entity’s high quality liquid assets as at the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 22(4) applies, and
 - (ii) where sub-paragraph (4) applies, the amount determined under that sub-paragraph.
- (3) Sub-paragraph (4) applies where—
- (a) as at the end of the chargeable period, the assets of the relevant entity include a financial asset in respect of an advance of cash made by the entity,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (2)(b), is an asset to which paragraph 22(4) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by the entity which would form part of the entity’s high quality liquid assets as at

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the end of that period were the collateral, rather than the financial asset, an asset of the entity.

- (4) The amount within sub-paragraph (2)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (5) For the purposes of this paragraph and paragraph 22 the relevant entity's assets, equity and liabilities are to be determined by reference to the amounts recognised in the entity's financial statements for the chargeable period as prepared under international accounting standards or UK GAAP.
- (6) In reducing the amount of any equity or liabilities under sub-paragraph (2)(c), long term equity and liabilities are to be reduced before short term liabilities.
- 22 (1) This paragraph applies for the purposes of paragraph 21(2) if—
- (a) the relevant entity has liabilities to another entity ("N") and N has assets which correspond to those liabilities ("the relevant entity's liabilities"),
 - (b) the relevant entity also has assets which correspond to liabilities which N has to the relevant entity ("N's liabilities"),
 - (c) there is in place an agreement between the relevant entity and N which makes provision for there to be a single net settlement of all the relevant entity's liabilities (so far as covered by the provision) and all N's liabilities (so far as covered by the provision) if the netting event occurs, and
 - (d) the provision mentioned in paragraph (c) is legally effective and enforceable.
- (2) For the purposes of sub-paragraph (1)—
- (a) "agreement" includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
 - (b) references to assets of one party which correspond to liabilities of another party are to amounts receivable by that first party which correspond to amounts due from that other party,
 - (c) a liability which the relevant entity has to N to which sub-paragraph (3) applies is to be treated as a liability to which an asset of N corresponds, and
 - (d) "the netting event occurs" if the insolvency or bankruptcy of the relevant entity or N gives rise to the termination of any arrangements under which any liability covered by the provisions mentioned in sub-paragraph (1)(c) arises.
- (3) This sub-paragraph applies to a liability which the relevant entity has to N if—
- (a) as at the end of the chargeable period, the assets of the relevant entity include a financial asset in respect of an advance of cash made by the relevant entity to N,
 - (b) underlying that asset, as collateral, are securities which have been transferred by the relevant entity to another person,
 - (c) the liability is a financial liability in respect of the relevant entity's obligation to return the securities or similar securities to N, and
 - (d) the provision mentioned in sub-paragraph (1)(c) covers both the financial asset mentioned in paragraph (a) and that financial liability.

Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of this sub-paragraph as it applies for the purposes of Chapter 10 of Part 6 of that Act.

- (4) The amount of the relevant entity's net settlement liabilities is to be reduced (but not below nil) by the amount of the relevant entity's net settlement assets.
- (5) The relevant entity's "net settlement liabilities" are the relevant entity's liabilities so far as they—
 - (a) are covered by the provision mentioned in sub-paragraph (1)(c), and
 - (b) are not excluded liabilities.
- (6) The relevant entity's "net settlement assets" are its assets so far as corresponding to N's net settlement liabilities.
- (7) "N's net settlement liabilities" means N's liabilities so far as they are covered by the provision mentioned in sub-paragraph (1)(c).
- (8) If the relevant entity's net settlement liabilities exceed the entity's net settlement assets, and a proportion (A%) of those liabilities is long term liabilities and a proportion (B%) of those liabilities is short term liabilities, under sub-paragraph (4)
 - (a) the long term liabilities are reduced by A% of the entity's net settlement assets, and
 - (b) the short term liabilities are reduced by B% of those assets.

Chargeable equity and liabilities of relevant foreign banks which are not members of groups

- 23 (1) This paragraph applies where the bank levy is charged as provided for by paragraph 5 and the relevant entity is a relevant foreign bank.
- (2) The chargeable equity and liabilities of the relevant entity is the amount of its UK allocated equity and liabilities (see paragraph 24) as at the end of the chargeable period.

Definition of "UK allocated equity and liabilities"

- 24 (1) Take Steps 1 to 4 to determine the amount of the UK allocated equity and liabilities of a relevant foreign bank as at the end of the chargeable period.
- Take Steps 5 and 6 to determine how much of that amount is to be treated as long term equity and liabilities and how much as short term liabilities for the purposes of Step 3 in paragraph 6(2).

Step 1

Determine the amount ("A") of the bank's assets as at the end of the chargeable period (subject to any adjustment under paragraph 25(5)).

Step 2

In accordance with paragraph 26, determine the amount ("B") of the assets, as at the end of the chargeable period, of the permanent establishment through which the bank carries on a trade in the United Kingdom (subject to any adjustment under paragraph 25(6)).

The proportion which B is of A is "X%".

Step 3

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In accordance with paragraph 27, determine the amount (“C”) of the bank’s chargeable equity and liabilities.

Step 4

The amount of the UK allocated equity and liabilities is X% of C.

Step 5

Determine the proportion (“Y%”) of C which is long term equity and liabilities.

Step 6

For the purposes of Step 3 in paragraph 6(2), treat Y% of the amount of the UK allocated equity and liabilities as long term equity and liabilities and the rest as short term liabilities.

- (2) For the purposes of this paragraph and paragraphs 25 to 27, assets, equity and liabilities of a relevant foreign bank or the permanent establishment through which it carries on a trade in the United Kingdom are to be determined by reference to—
- (a) the amounts recognised in the bank’s financial statements for the chargeable period as prepared under international accounting standards or UK GAAP, or
 - (b) if no such financial statements are prepared, the amounts which would have been so recognised had such financial statements been prepared—
 - (i) under international accounting standards, or
 - (ii) under UK GAAP if that is what the bank prepares its financial statements under.
- 25 (1) This paragraph applies if—
- (a) the relevant foreign bank has liabilities to another entity (“N”) (subject to sub-paragraph (2)), and N has assets which correspond to those liabilities (“the bank’s liabilities”),
 - (b) the bank also has assets which correspond to liabilities which N has to the bank (“N’s liabilities”),
 - (c) there is in place an agreement between the bank and N which makes provision for there to be a single net settlement of all the bank’s liabilities (so far as covered by the provision) and all N’s liabilities (so far as covered by the provision) if the netting event occurs, and
 - (d) the provision mentioned in paragraph (c) is legally effective and enforceable.
- (2) If the UK allocated equity and liabilities of the bank are being determined for the purposes of paragraph 17(17) or 19(17), this paragraph does not apply if N is—
- (a) an entity within paragraph 18(9) or 20(9) (as the case may be), or
 - (b) another relevant foreign bank covered by paragraph 17(17) or 19(17) (as the case may be).
- (3) For the purposes of sub-paragraph (1)—
- (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
 - (b) references to assets of one party which correspond to liabilities of another party are to amounts receivable by that first party which correspond to amounts due from that other party,
 - (c) a liability which the relevant foreign bank has to N to which sub-paragraph (4) applies is to be treated as a liability to which an asset of N corresponds, and

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- (d) “the netting event occurs” if the insolvency or bankruptcy of the relevant foreign bank or N gives rise to the termination of any arrangements under which any liability covered by the provision mentioned in sub-paragraph (1)(c) arises.
- (4) This sub-paragraph applies to a liability which the relevant foreign bank has to N if—
- (a) as at the end of the chargeable period, the assets of the relevant foreign bank include a financial asset in respect of an advance of cash made by the relevant foreign bank to N,
 - (b) underlying that asset, as collateral, are securities which have been transferred by the bank to another person,
 - (c) the liability is a financial liability in respect of the bank’s obligation to return the securities or similar securities to N, and
 - (d) the provision mentioned in sub-paragraph (1)(c) covers both the financial asset mentioned in paragraph (a) and that financial liability.
- Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of this sub-paragraph as it applies for the purposes of Chapter 10 of Part 6 of that Act.
- (5) In determining the amount of the bank’s assets at Step 1 in paragraph 24(1), the amount of the bank’s net settlement assets is to be reduced (but not below nil) by the amount of the bank’s net settlement liabilities.
- (6) In determining the amount of the permanent establishment’s assets at Step 2 in paragraph 24(1)—
- (a) the reduction in the bank’s assets under sub-paragraph (5) is to be ignored, but
 - (b) the amount of the permanent establishment’s net settlement assets is to be reduced by Z%.
- (7) For this purpose, “Z%” is the proportion by which the bank’s net settlement assets are reduced under sub-paragraph (5).
- (8) In determining the amount of the bank’s chargeable equity and liabilities at Step 3 in paragraph 24(1), the amount of the bank’s net settlement liabilities is to be reduced (but not below nil) by the amount of the bank’s net settlement assets (ignoring the reduction under sub-paragraph (5)).
- (9) The bank’s “net settlement liabilities” are the bank’s liabilities so far as they—
- (a) are covered by the provision mentioned in sub-paragraph (1)(c), and
 - (b) are not excluded liabilities.
- (10) The bank’s “net settlement assets” are its assets so far as corresponding to N’s net settlement liabilities.
- (11) “N’s net settlement liabilities” means N’s liabilities so far as they are covered by the provision mentioned in sub-paragraph (1)(c).
- (12) The permanent establishment’s “net settlement assets” are its assets so far as they are part of the bank’s net settlement assets.
- (13) If the bank’s net settlement liabilities exceed the bank’s net settlement assets (ignoring the reduction under sub-paragraph (5)), and a proportion (A%) of those

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liabilities is long term liabilities and a proportion (B%) of those liabilities is short term liabilities, under sub-paragraph (8)—

- (a) the long term liabilities are reduced by A% of the bank's net settlement assets, and
- (b) the short term liabilities are reduced by B% of those assets.

- 26 (1) This paragraph applies for the purposes of Step 2 in paragraph 24(1).
- (2) The assets of the permanent establishment are those which it would have were it a distinct and separate enterprise which—
- (a) engaged in the same or similar activities under the same or similar conditions, and
 - (b) dealt wholly independently with the relevant foreign bank.
- (3) For this purpose, any relevant provisions of sections 21 to 28 of CTA 2009 are to be applied as they would be applied in determining profits attributable to the permanent establishment for corporation tax purposes.
- (4) But where paragraph 24(1) is being applied in determining the UK allocated equity and liabilities of a relevant foreign bank for the purposes of paragraph 17(17) or 19(17), any assets within sub-paragraph (5) are to be left out.
- (5) The assets within this sub-paragraph are any assets of the permanent establishment (as otherwise determined under this paragraph) representing an excluded loan relationship.
- (6) A loan relationship is “excluded” if—
- (a) the relevant foreign bank is the creditor,
 - (b) the debtor (“D”) is a UK resident bank or another relevant foreign bank—
 - (i) which is a member of the relevant group, and
 - (ii) whose activities include the relevant regulated activity described in the provision mentioned in paragraph 79(a),
 - (c) the money which is the subject of the transaction giving rise to D's debt is money borrowed by the relevant foreign bank from another entity, and
 - (d) in borrowing that money the relevant foreign bank was acting as the agent or intermediary of D.
- (7) Section 302(1) of CTA 2009 (definition of “loan relationship”) applies for the purposes of sub-paragraphs (5) and (6) as it applies for corporation tax purposes.
- 27 (1) This paragraph applies for the purposes of Step 3 in paragraph 24(1).
- (2) To determine the amount of the relevant foreign bank's chargeable equity and liabilities—
- (a) determine the amount of the bank's equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period,
 - (b) adjust that amount in accordance with sub-paragraph (5) and paragraphs 25(8) and 44 (so far as applicable), and
 - (c) finally, reduce that amount (but not below nil) by—
 - (i) the amount of the entity's high quality liquid assets as the end of that period, other than any asset which for the purposes of an adjustment under paragraph (b) is an asset to which paragraph 25(8) applies, and
 - (ii) where sub-paragraph (4) applies, the amount determined under that sub-paragraph.

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- (3) Sub-paragraph (4) applies where—
- (a) as at the end of the chargeable period, the assets of the relevant foreign bank include a financial asset in respect of an advance of cash made by the bank,
 - (b) that financial asset is not an asset which, for the purposes of an adjustment under sub-paragraph (2)(b), is an asset to which paragraph 25(8) applies, and
 - (c) underlying that asset, as collateral, is an item (“the collateral”) owned by the bank which would form part of the bank’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the bank.
- (4) The amount within sub-paragraph (2)(c)(ii) is—
- (a) the amount of the financial asset as at the end of that period or, if lower, an amount equal to the fair value of the collateral as at that time, or
 - (b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.
- (5) Where paragraph 24(1) is being applied in determining the UK allocated equity and liabilities of a relevant foreign bank for the purposes of paragraph 17(17) or 19(17), the following liabilities are to be left out—
- (a) any liabilities to a relevant member as defined in paragraph 18(2) or 20(2) (as the case may be), or
 - (b) any liabilities to another relevant foreign bank covered by paragraph 17(17) or 19(17) (as the case may be) so far as the other bank’s assets corresponding to the liabilities are assets of the permanent establishment through which the other bank carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1).
- (6) In reducing any amount of equity or liabilities under sub-paragraph (2)(c), long term equity and liabilities are to be reduced before short term liabilities.

“Excluded” equity and liabilities

- 28 (1) Equity or liabilities are “excluded” so far as they consist of equity or liabilities which are specified to be excluded—
- (a) by any of paragraphs 29 to 39, or
 - (b) by an order made by the Treasury.
- (2) The Treasury may also by order add to, repeal or otherwise amend any of paragraphs 29 to 39.
- (3) An order under this paragraph may make consequential amendments of paragraph 76 (“long term” liabilities: non-protected deposits).
- (4) An order under this paragraph may have retrospective effect in relation to—
- (a) any chargeable period in which the order is made, or
 - (b) in the case of an order made on or before 31 December 2011, any chargeable period ending on or after 1 January 2011.
- (5) Orders under this paragraph are to be made by statutory instrument.

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- (6) A statutory instrument containing an order under this paragraph may not be made unless a draft has been laid before, and approved by a resolution of, the House of Commons.
- 29 (1) Liabilities representing protected deposits are excluded.
- (2) A deposit is “protected” so far as it is covered by the Financial Services Compensation Scheme under section 213 of FISMA 2000 (“the FSCS”).
- (3) A deposit is “protected” so far as it is covered by a scheme which—
- (a) operates outside the United Kingdom, and
 - (b) is comparable to the FSCS.
- (4) Sub-paragraph (5) applies for the purposes of sub-paragraphs (2) and (3) if—
- (a) the entity holding the deposit (“the relevant deposit”) is required to pay, in relation to the scheme, levies for purposes mentioned in section 213(3)(b) of FISMA 2000 or purposes comparable to those purposes,
 - (b) those levies are calculated—
 - (i) by reference to a proportion (“X%”) of the total amount of all deposits held by the entity or all deposits held by the entity within a specified class within which the relevant deposit falls, or
 - (ii) by reference to another amount which is a proportion (“Y%”) of the total amount of all the scheme deposits held by the entity, and
 - (c) X% or (as the case may be) Y% exceeds the proportion (“Z%”) of the relevant deposit covered by the scheme.
- (5) The scheme is treated—
- (a) in a case within sub-paragraph (4)(b)(i), as covering X% of the relevant deposit (instead of Z%), and
 - (b) in a case within (4)(b)(ii), as covering Y% or, if smaller, 100% of the relevant deposit (instead of Z%).
- (6) In sub-paragraph (4) “scheme deposit” means a deposit the whole or part of which is covered by the scheme (disregarding sub-paragraph (5)).
- (7) A deposit is “protected” so far as it is covered by a guarantee—
- (a) which is given explicitly by a national government (other than the government of the United Kingdom), and
 - (b) under which the government guarantees to compensate depositors for losses on their deposits.
- (8) In sub-paragraph (2), and sub-paragraphs (4), (5) and (6) so far as relating to a scheme within sub-paragraph (2), “deposit” has the meaning given by article 5(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ([S.I. 2001/544](#)).
- (9) In sub-paragraphs (3) and (7), and sub-paragraphs (4), (5) and (6) so far as relating to a scheme within sub-paragraph (3), “deposit” has the meaning given by article 5(2) of that Order but ignoring the exclusions in articles 6 to 9AB.
- (10) If two or all of sub-paragraphs (2), (3) and (7) apply to a deposit, the amount of the deposit “protected” is the highest amount which results from any one of those sub-paragraphs.

- 30 (1) Equity and liabilities which are “tier one capital equity and liabilities” are excluded.
- (2) “Tier one capital equity and liabilities” means, in relation to an entity or a group of entities, so much of the entity or group’s equity and liabilities as—
- (a) is tier one capital before deductions for the purposes of the FSA Handbook, or
 - (b) would be treated as tier one capital before deductions for those purposes were the tier one capital before deductions of the entity or group as at the end of the chargeable period to be determined under that Handbook.
- 31 (1) Sovereign repo liabilities are excluded.
- (2) “Sovereign repo liability” means a liability of a person (“A”) which represents a sum of money or other asset received by A from another person (“B”) under an arrangement where—
- (a) under the arrangement A sells high quality securities at any time to B,
 - (b) the arrangement makes provision conferring a right or imposing an obligation on A to buy those or similar securities at any subsequent time, and
 - (c) the subsequent buying of those or similar securities would extinguish the liability.
- (3) Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of sub-paragraph (2) as it applies for the purposes of Chapter 10 of Part 6 of that Act.
- (4) Securities are “high quality” if—
- (a) they are debt securities issued by entities within section BIPRU 12.7.3(1) or (2) of the FSA Handbook which meet the requirements of section BIPRU 12.7.4(1) and (2), or
 - (b) they are issued by a designated multilateral development bank.
- “Debt securities” has the same meaning as that term has in section BIPRU 12.7.3 of the FSA Handbook.
- 32 (1) Sovereign stock-lending liabilities are excluded.
- (2) “Sovereign stock-lending liabilities” means liabilities of the lender to redeliver equivalent cash collateral under a stock lending arrangement in respect of high quality securities.
- (3) Section 805 of CTA 2010 (“stock lending arrangement”) applies for the purposes of sub-paragraph (2) as it applies for the purposes of Chapter 5 of Part 17 of that Act, and the reference in sub-paragraph (2) to “the lender” is to be construed accordingly.
- (4) Paragraph 31(3) and (4) apply for the purposes of this paragraph.
- 33 (1) Relevant insurance liabilities are excluded.
- (2) “Relevant insurance liabilities” means liabilities of a regulated insurer carrying on an insurance business which are—
- (a) liabilities to policyholders under contracts of general insurance or contracts of long-term insurance, including such contracts effected or carried out outside the United Kingdom,
 - (b) liabilities representing unallocated surpluses, or
 - (c) liabilities representing participants’ interests in collective investment schemes.

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- (3) The liabilities of a regulated insurer within sub-paragraph (2)(c) include a liability which would be a liability of the insurer within that provision if the insurer prepared consolidated financial statements.
- (4) In this paragraph—
- “collective investment scheme” has the same meaning as in Part 17 of FISMA 2000 (see sections 235 and 237 of that Act);
- “contract of general insurance” means a contract of a type described in Part 1 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);
- “contract of long-term insurance” means a contract of a type described in Part 2 of that Schedule;
- “regulated insurer” means an entity which—
- (a) is authorised under the law of any territory to carry on insurance business, or
- (b) is a member of a body or organisation which is so authorised;
- “unallocated surplus” means the fund for future appropriations shown in line 15 of Form 3 of a return deposited with the Financial Services Authority under section 9.6 of the Interim Prudential Sourcebook for Insurers made by that Authority under FISMA 2000.
- 34 (1) Relevant property, plant and equipment reserves are excluded.
- (2) “Relevant property, plant and equipment reserves” means equity amounts representing revaluation reserves relating to the revaluation of property, plant and equipment under International Accounting Standard 16 or Financial Reporting Standard 15.
- (3) “Property, plant and equipment” has the meaning given, for the time being, by International Accounting Standard 16.
- 35 (1) Relevant tax liabilities are excluded.
- (2) In relation to liabilities to be determined by reference to amounts recognised, or which would have been recognised, in consolidated financial statements or financial statements prepared under international accounting standards, “relevant tax liabilities” means liabilities representing—
- (a) current tax or deferred tax liabilities within the meaning, for the time being, of International Accounting Standard 12, or
- (b) an amount of the bank levy.
- (3) In relation to liabilities to be determined by reference to amounts recognised, or which would have been recognised, in consolidated financial statements or financial statements prepared under UK GAAP, “relevant tax liabilities” means liabilities representing—
- (a) current tax or deferred tax within the meaning, for the time being, of Financial Reporting Standard 16 or 19, or
- (b) an amount of the bank levy.
- 36 (1) Relevant retirement benefit liabilities are excluded.
- (2) In relation to liabilities to be determined by reference to amounts recognised, or which would have been recognised, in consolidated financial statements or financial statements prepared under international accounting standards, “relevant retirement

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benefit liabilities” means liabilities under defined benefit plans within the meaning, for the time being, of International Accounting Standard 19.

- (3) In relation to liabilities to be determined by reference to amounts recognised, or which would have been recognised, in consolidated financial statements or financial statements prepared under UK GAAP, “relevant retirement benefit liabilities” means liabilities under defined benefit schemes within the meaning, for the time being, of Financial Reporting Standard 17.
- 37 (1) Financial services compensation scheme liabilities are excluded.
- (2) “Financial services compensation scheme liabilities” means liabilities representing—
- (a) levies payable by virtue of section 213(2)(b) of FISMA 2000, or
 - (b) levies payable for purposes comparable with those mentioned in section 213(2)(b) of that Act in relation to a scheme which—
 - (i) operates outside the United Kingdom, and
 - (ii) is comparable to the Financial Services Compensation Scheme under section 213 of that Act.
- 38 (1) Liabilities representing clients’ money held by an authorised person are excluded.
- (2) “Authorised person” means an entity which—
- (a) is an authorised person for the purposes of FISMA 2000 (see section 31 of that Act), or
 - (b) would be required to be such an authorised person if it were a UK resident entity which carried on its activities in the United Kingdom.
- (3) “Clients’ money”—
- (a) in relation to an authorised person within sub-paragraph (2)(a), has the meaning given by section 139(1) of FISMA 2000 (rules relating to handling of money), and
 - (b) in relation to an authorised person within sub-paragraph (2)(b), means any money held by the person outside the United Kingdom where the holding of that money is subject to rules comparable with rules made under section 139 of that Act,
- but does not include a deposit within the meaning of article 5(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ([S.I. 2001/544](#)) ignoring the exclusions in articles 6 to 9AB.
- 39 (1) Currency liabilities are excluded.
- (2) “Currency liabilities” means liabilities of an entity or a group of entities representing notes issued by the entity or a member of the group as currency.