

## SCHEDULES

### SCHEDULE 19

#### THE BANK LEVY

#### PART 4

#### CHARGEABLE EQUITY AND LIABILITIES

##### *Definition of “UK allocated equity and liabilities”*

- 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
  - (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—

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*Status: This is the original version (as it was originally enacted).*

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- (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 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.