Resolution Plan

Public Section

July 2015

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# Table of Contents

1 Introduction ......................................................................................................................... 3
  1.1 Actions Taken to Improve Resolvability ................................................................... 3
  1.2 Business Model ........................................................................................................ 6
    1.2.1 Group Overview ................................................................................................. 6
    1.2.2 The Global IB Business .................................................................................. 7
2 Reform Measures and Other Actions That May Impact Resolution ............................................. 8
  2.1 Reform Measures ....................................................................................................... 8
    2.1.1 Reform Measures – UK .................................................................................... 9
    2.1.2 Reform Measures - US ................................................................................... 11
    2.1.3 Reform Measures – EU .................................................................................. 14
  2.2 Other Actions ........................................................................................................... 16
    2.2.1 Recovery and Resolution Planning ................................................................ 16
    2.2.2 Capital Requirements ..................................................................................... 16
    2.2.3 Credit Ratings .................................................................................................. 16
    2.2.4 Key Risks That May Impact Resolution ......................................................... 18
    2.2.5 Composition of Wholesale Funding ................................................................. 20
    2.2.6 Adherence to ISDA Protocol .......................................................................... 20
3 Executive Summary of The 2015 Plan .................................................................................. 20
  3.1 High Level Summary .................................................................................................. 21
  3.2 Material Entities ........................................................................................................ 22
  3.3 Core Business Lines .................................................................................................. 25
  3.4 Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources ................................................................. 27
    3.4.1 BPLC – Covered Company ............................................................................ 27
    3.4.2 Material Operating Entities ............................................................................. 28
    3.4.3 Material Servicing Entities .............................................................................. 29
  3.5 Barclays’ Capital and Liquidity Management and Funding Sources .................................. 30
    3.5.1 Capital Management ....................................................................................... 30
    3.5.2 Liquidity Management ..................................................................................... 31
    3.5.3 US Material Entity Funding Sources ............................................................... 32
  3.6 Interconnectedness .................................................................................................... 33
    3.6.1 Financial Interconnectedness of Material Entities ......................................... 33
    3.6.2 Recharges and Operational Interconnectedness ............................................ 33
  3.7 Derivative and Hedging Activities ............................................................................... 33
  3.8 Payment, Clearing and Settlement Systems for US Operations ..................................... 34
    3.8.1 Overview .......................................................................................................... 34
  3.9 Material Supervisory Authorities .............................................................................. 35
  3.10 Principal officers ...................................................................................................... 35
  3.11 Corporate Governance Structure and Processes Related to Resolution Planning ............. 36
    3.11.1 Overview ......................................................................................................... 36
    3.11.2 Resolution Plan Governance ....................................................................... 37
  3.12 Material Management Information Systems ............................................................... 37
  3.13 Description of Resolution Strategy ......................................................................... 39
    3.13.1 Preferred Resolution Strategy in the UK ....................................................... 39
4 Conclusion ....................................................................................................................... 43
Public Section

1 Introduction

Barclays\(^1\) submits this Public Section (the Public Section) as part of Barclays’ 2015 US Resolution Plan (the 2015 Plan) pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the final rule (the Final Rule)\(^2\) promulgated pursuant thereto by the Federal Reserve Board of Governors (the FRB or the Board) and the Federal Deposit Insurance Corporation (the FDIC, together with the FRB or the Board, the Agencies). This is Barclays’ fourth resolution plan submission, with prior submissions occurring in 2012, 2013 and 2014, respectively.

Barclays has a strong capital and funding profile, as well as a diversified asset base which is aimed to ensure the firm’s resilience. Nonetheless, Barclays is committed to developing a resolution plan for its US operations that is credible within the meaning of the Dodd-Frank Act and the Final Rule promulgated pursuant thereto, which aims to, in the unlikely event of Barclays’ failure, permit the rapid and orderly resolution of Barclays US operations without an adverse systemic impact on the UK, US and other global economies. To that end, Barclays has, among other things, spent over $150 million on resolution planning, as described below, taken numerous actions to improve its resolvability and engaged in substantial dialogue with the Agencies and other regulatory authorities in the US, the UK and other key jurisdictions where Barclays operates to implement a coordinated global resolution strategy, while at the same time adhering to all local resolution planning requirements.

The 2015 Plan is part of an iterative process and is designed to address standing requirements and specific feedback of the Agencies, including the feedback received from the Agencies in August 2014 which required large systemically important financial institutions (SIFIs) with over $250 billion in worldwide non-bank assets to make certain improvements to their resolution plans. The 2015 Plan is intended to be responsive to the Agencies’ feedback.

This Public Section summarizes various actions taken to improve resolvability by Barclays of its US operations, describes Barclays’ business model and some of the key regulatory challenges it faces, as well as some of the major regulatory reform efforts underway that are designed to improve resolvability of large global financial institutions, and then provides the information required by the Final Rule to be contained in the Public Section of this 2015 Plan, as well as additional information requested by the Agencies to provide greater transparency to the public as part of the resolution planning process.

1.1 Actions Taken to Improve Resolvability

Barclays has taken significant actions to improve resolvability including Barclays has undertaken significant initiatives since 2008 to increase operational efficiency; strengthen governance and controls and diversify liquidity and funding to create an organization that is significantly more resilient than would have existed in 2008. In the 2015 Plan, Barclays’ primary US operating entities are Barclays Capital Inc. (BCI’s), US broker-dealer and Futures Commodities Merchant (FCM), and the New York branch of BBPLC (NYBR).

In the US, Barclays has worked actively to reduce complexity and systemic impact by aggressively managed BCI’s balance sheet from a high of $521bn in 2010 to $248bn at year end 2014 which is expected to further reduce to a range of $185bn-$215bn by 1 July 2016; established dedicated liquidity buffers for BCI and NYBR that are held in lien free segregated accounts in the US at BCI’s agent bank and the Federal Reserve Bank of New York (FRBNY),

\(^1\) Barclays”, “Group” and “Barclays Group” are terms which are used to refer to Barclays PLC together with its subsidiaries and/or Barclays Bank PLC together with its subsidiaries. The term “Company”, “Parent Company”, “Parent”, “Covered Company”, “top-tier holding company” or “BPLC” refers to Barclays PLC and the term “Bank” or “BBPLC” refers to Barclays Bank PLC.

\(^2\) “Final Rule” means 12 CFR Parts 243 and 381, Resolution Plans Required, issued by the Agencies and effective 30 November 2011.

\(^3\) Throughout this Section; “US” means the United States as defined in the Final Rule; “UK” means the United Kingdom and the territories under its jurisdictions; “$” or “USD” means the US Dollar; “£” or “GBP” means the UK pound sterling; and “€” or “EUR” means the official currency of the European Union.
respectively and sized daily based on stress test results, instituted multiple daily liquidity stress tests on BCI and an asset maintenance ratio (AMR) stress test on NYBR; actively reduced reliance on credit sensitive 2a7 money markets funds by reducing exposure by 52% and market share by 54%; reduced BCI’s intraday liquidity usage by more than 90%; eliminated reliance on intra-day usage for less liquid collateral and reduced less liquid tri-party intra-day exposure by 62%; rationalized its US legal entities by dissolving 174 of Barclays 397 US entities as of 30 April 2015 and expects to dissolve an additional 36 US entities prior to 1 July 2016; announced sale of Barclays Wealth and Barclays Wealth Trustees businesses by Q4 2015; developed an Americas Contingency Funding Plan (CFP) that tests the firm’s ability to respond to a US liquidity stress event and has continued to invest in technology enhancements to improve technology applications and infrastructure that have substantially improved BCI’s ability to produce reporting relevant to the management of transaction processing, collateral, funding and liquidity, risk and operational processes critical to the success of the firm.

At the Group level, Barclays has strengthened the capital position of the Group and currently has a Tier 1 ratio of 10.3% (from 8.2% in 2012) and a leverage ratio of 3.7%; the Group capital position remains above the Bank of England’s (BoE) threshold in the BoE stress test; worked collaboratively with UK authorities to develop a confidential executable global Recovery Plan that enhances the firm’s ability to endure a severely adverse stress scenario with minimal disruption to the global markets or its customers; and has developed inter-affiliate and third-party vendor terms and conditions that are resolution-friendly and ensure continued access to critical services during a Material Financial Distress event or failure of Barclays or one or more of its affiliates, including its US affiliates.

Barclays shares the common goal with the Agencies of ensuring that a rapid and orderly resolution of the firm is achievable, and Barclays is committed to taking steps to improve the ability of its US operations to be resolved in a rapid and orderly manner under the US Bankruptcy Code and without reliance on extraordinary governmental support. Examples of such efforts include:

- **Cross-border regulatory coordination:** Barclays has actively engaged with regulators in the US, UK and elsewhere to share information on the progress made by the organization to reduce its risk profile and institute heightened internal oversight and controls, including the adoption of recovery and resolution planning into Barclays’ business as usual (BAU) processes. Barclays has established dedicated Resolution and Recovery Planning (RRP) groups in the US and the UK. The RRP team in the US is comprised of 15-20 full time employees who work closely with the business and servicing units globally to analyze operational and funding reliance between affiliates in order to build a more resolvable and resilient operating model. Governance committees have been established to ensure that resolution considerations are taken into account before decisions are made with respect to business operations, new product determinations, structural reform requirements and potential booking model changes.

- **Enhanced capital, liquidity and leverage ratios:** Barclays has steadily built capital and liquidity reserves since 2008, in accordance with new regulatory requirements and its own internal risk appetite. The Group continues to take action to further improve its leverage and risk capital position. The Basel Committee finalized its revised standards for calculating the Basel III leverage ratio (BCBS 270) in January 2014. As of 31 December 2014, Barclays BCBS 270 leverage ratio was 3.7%, which is in line with the expected minimum end state requirement outlined by the UK Financial Policy Committee (FPC). Barclays has also decreased risk weighted assets (RWAs) by £40.6bn to £401.9bn due to trading book reductions, sales of businesses and other actions taken by the firm while leverage exposures decreased by £52bn to £1,233bn. In the US, dedicated liquidity pools have been established for Barclays Capital Inc. (BCI) and BBPLC New York Branch (NYBR). BCI’s dedicated liquidity pool is held in alien-free segregated BCI account at a US commercial bank to be accessed in the event of liquidity risk during a stress event. BCI conducts daily liquidity stress tests and the results of the stress test are used to size the amount of cash or securities held in the liquidity pool. NYBR’s liquidity pool is held in a lien-free segregated account at the Federal Reserve Bank of New York (FRBNY).

- **Executable Recovery Plan:** In consultation with the UK authorities, Barclays has developed a confidential executable global Recovery Plan that enhances the firm’s ability to endure a severe stress with minimal disruption to the global market or its customers. The Recovery Plan defines the actions and implementation
strategies available for the Group to increase or preserve liquidity and/or capital resources in the event that stress events are more extreme than anticipated. Barclays continues to work with authorities on recovery and resolution planning, and the detailed practicalities of the resolution process, including the provision of information that would be required in the event of a resolution, so as to enhance Barclays’ resolvability. The US operations of BCI, NYBR and Barclays Bank Delaware (BBDE) are important components of the Recovery Plan and the needs of the US and the potential impact of possible recovery actions on US financial stability are considered as part of developing the global Recovery Plan.

▪ **Executable Resolution Plans:** Barclays recognizes and supports the importance of advance planning for resolution. Barclays is working with regulators in the US and UK on recovery and resolution planning. In the UK, the Bank of England (BoE) has advised that the preferred resolution strategy for Barclays is a single point of entry resolution at BPLC that involves bail-in. In the US, actionable playbooks are being developed along with simulation testing plans to ensure that actions required to resolve the US operations, in an orderly way, are in place. With the establishment of the US intermediate holding company required pursuant to US Intermediate Holding Company (IHC) regulation4 (the EPS Rule), the US resolution strategy will be modified to support a bail-in resolution strategy which is similar to a single point of entry or Dodd-Frank Act Title II strategy for a US G-SIFI. The 2015 Plan provides Barclays’ leadership enhanced insight into areas of opportunity to enable the organization to mitigate potential issues that might present complications or obstacles to an orderly resolution of the US operations while ensuring that US regulators are advised of actions being taken by the firm to move toward a coordinated cross-border resolution of Barclays utilizing bail-in powers in the UK.

▪ **Reduced Complexity:** To further enhance the resilience and resolvability of the firm, Barclays is undertaking a program of legal entity rationalization. The Americas Dissolutions Committee (the ADC) was formed in Q2 2013. At that time, Barclays had approximately 397 US entities. The entity rationalization process in the US is well underway with good progress made to date. Of the 397 entities, approximately 174 entities have since been dissolved as of 30 April 2015. As part of ongoing rationalization efforts, Barclays currently anticipates approximately 36 additional entities will be dissolved prior to formation of the IHC in 2016. The ADC will continue to review active entities for rationalization opportunities. Similar efforts are underway in the UK as part of Barclays Group structural reform program as the firm prepares for, amongst other things, the establishment of a UK ring-fenced bank by 2018 (as described further below).

▪ **Tri-party Repo Reform:** As announced by FRBNY on 24 June 2015: “Three years have passed since the Tri-party Repo Infrastructure Reform Task Force released its seven-point roadmap for reforms needed to (1) sharply reduce the market’s reliance on discretionary extensions of intraday credit by the clearing banks and (2) foster improvements in market participants’ liquidity and credit risk management practices. A great deal of progress has been made since February 2014. Earlier this spring, Bank of New York Mellon completed the final piece of its new settlement process for tri-party repo, achieving a number of reform goals and serving to bring all tri-party repo trades into alignment with the roadmap originally laid out by the Industry Task Force back in 2012. As a result, the share of tri-party repo volume that is financed with intraday credit from a clearing bank has dropped markedly, from 100 percent as recently as 2012, to a level averaging 3 to 5 percent today.”

Barclays has made significant progress in reducing tri-party intraday liquidity usage by more than 90% and reducing less liquid tri-party exposure by 62%. Barclays has been an active participant in the Tri-party Repo Infrastructure Reform Task Force and worked collaboratively over the past 6 years to reform the tri-party repo market. This 6 year program has required significant changes across the industry and Barclays including new systems, operational and business processes, behavioural changes and a broader education of the underlying risks associated with a primary funding platform. While there are still several further developments expected, the key aspects of tri-party reform are now in place and fully functional. With respect to Barclays these include:

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4 Please refer to 12 CFR Part 252, Regulation YY, Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, Final Rule, effective 1 June 2014 (the EPS Rule) for more information on the requirement to establish a US IHC and other enhanced prudential standards requirements.
• Reform goal: Reducing down dealer usage of the clearing bank intraday liquidity to less than 10% of the dealer’s tri-party book. Barclay has accomplished this goal and Barclays’ average tri-party intraday usage has been reduced from 100% to less than 5%;

• Reform goal: The remaining clearing bank credit that is offered is required to be capped and committed. Barclays has accomplished this goal and went live on 23 April 2015 with a capped committed facility with its tri-party agent bank; and

• Reform goal: Trade matching of client trades by 3:00PM. Barclays has accomplished this goal and client trades are matched daily before 3:00PM.

• **Testing Liquidity Resilience**: Barclay’s has developed a Contingency Funding Plan (CFP) that details how Barclay’s Group and Barclay’s Americas operations will respond to a liquidity stress event. At least annually, a CFP simulation is performed to test the firm’s ability to respond to an unforeseen stress event and ensure proper engagement and liquidity resources for the firm to recover, thus measuring Barclays liquidity resilience. Board members participate in the simulation which ensures awareness and appropriate governance is demonstrated during a stress event.

• **Industry forums**: Barclays proactively participates in US industry forums and shared interest discussions through the Securities Industry and Financial Markets Association (SIFMA) and The Clearing House (TCH) advocacy branch. Barclays also participates in the ISDA Resolution Working Group with representatives of the Financial Stability Board (FSB). From a foreign banking perspective, Barclays participates through the Institute of International Bankers (IIB). In addition, through the British Bankers’ Association (BBA) and the Association for Financial Markets in Europe (AFME), Barclays is actively involved in global discussions on resolution planning, in particular on the implications of and best way to implement the recently approved EU Recovery and Resolution Directive (EU RRD).

• **Technology Enhancements**: Barclays continues to improve its Technology applications and infrastructure and has undertaken substantial projects to improve the firm’s ability to produce reporting relevant to the management of transaction processing, collateral, funding and liquidity, risk and operational processes critical to the success of the firm and that improve Barclays ability to recovery from a stress event or be resolved in a rapid and orderly manner.

### 1.2 Business Model

#### 1.2.1 Group Overview

As a focused international bank, Barclays offers an integrated set of products and services across retail banking, wealth management, corporate banking and investment banking. We serve individuals, small and large businesses, corporations, institutions and governments.

Barclays seeks to satisfy the needs of our customers and clients by offering a well-rounded value proposition—a wide range of products and services—and thereby deliver a smoother income stream and sustainable returns. Barclays’ competitive advantage arises from the scale and diversity of our businesses and the quality, character and relationships of our people.

We also increasingly operate a shared service model for Central Functions to support our four core business clusters: the Investment Bank (IB), BarclayCard, Personal and Corporate Banking (PCB) and Africa Banking. Improving how we pool our resources has enabled us to take advantage of synergies through the sharing of ideas and collaboration from cross-functional working groups. Our international reach and scale mean we have the responsibility—indeed the obligation—following our designation as a globally systemically important financial institution (G-SIFI) by the FSB, to work together with our regulators to help reduce risk in the industry and provide a more sustainable banking
landscape over the long term. We are actively engaging with a number of banking supervisors internationally to ensure that our business is sustainable, flexible and ready to move into the future.

1.2.2 The Global IB Business

The IB operates a global model, using its international presence and capabilities to provide comprehensive cross-border solutions. Barclays’ US operations are primarily conducted in the IB. BCI represents 62% of all US assets and 53% of all US revenue for the Group during 2014.

2014 IB Accomplishments

- Voted best Investment Bank in the UK by Euromoney;
- Ranked #2 tied overall Fixed Income Market Share for third consecutive year by Greenwich Associates; and
- Advised on four of the top 10 global M&A deals in 2014, including the two largest.

The changes made following the Strategy Update\(^5\) in May 2014 rebalance our business mix to improve returns, while ensuring that we continue to provide a holistic service to our target clients. The portfolios in the IB now represent a lower market risk and we will continue to closely manage our market and credit risk appetite as the market environment evolves. Additionally, post the May 2014 rebalance the IB has close to £100bn less in risk weighted assets (RWAs), and going forward will represent approximately 30% of the Group’s overall capital as compared with 50% before the restructuring.

The IB is a leading provider of advice, financing and risk management solutions to companies, governments and institutions worldwide. The IB enables the movement of capital between those who need it, for example to grow their company or build new infrastructure, and those looking to generate a return on investment and in doing so the IB funds and facilitates global economic growth, helping millions of people to achieve their ambitions. The IB business is split into three core areas:

- Markets: Provides execution, prime brokerage and risk management services across the full range of asset classes including equity and fixed income, currency and select commodity products;
- Banking: Provides long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions; and
- Research: Provides multi-asset class and macro-economic research delivering practical ideas to help our clients make informed investment decisions.

Future Priorities for IB

- Invest in key growth areas, with a particular focus on origination;
- Simplify and standardize the Macro business, while retaining the flexibility to create bespoke solutions for core clients;
- Consolidate and optimize client balance sheet usage through the centralized Client Capital Management team;
- Significantly simplify and reduce the cost of our infrastructure, standardizing technology and processes across asset classes; and

\(^5\) Please refer to Barclays’ 2014 Annual Report.
- Continue to strengthen our control environment and approach to conduct risk.

Through this range of business activities we can provide Barclays with a diversity of income and risk, and deliver market execution services for customers and clients within other parts of the Group.

# 2 Reform Measures and Other Actions That May Impact Resolution

## 2.1 Reform Measures

A number of jurisdictions have enacted or are considering legislation and rulemaking that could have a significant impact on the structure, business risk and management of Barclays and of the financial services industry more generally. Key developments that are of particular relevance to Barclays include:

- The UK Financial Services (Banking Reform) Act 2013 (the Banking Reform Act), gives UK authorities the power to implement key recommendations of the Independent Commission on Banking, including the separation of the UK and the European Economic Area (EEA) retail and SME deposit-taking activities of the largest UK banks into legally, operationally and economically separate and independent entities (‘ring fencing’). It is expected that banks will have to comply with ring-fencing requirements from January 2019;

- The European Commission proposals of January 2014 (which are still in discussion) for a regulation on structural reform to implement recommendations of the EU High Level Expert Group Review (the Liikanen Review). The regulation would apply to EU-SIFIs, other large EU banks and banking groups and certain large EU branches of non-EU banks (in each case as long as certain quantitative limits are met);

- Implementation of the requirements of the EPS Rule including the mandate to create a US IHC structure to hold Barclays’ US banking and non-banking subsidiaries, including BCI, by July 2016. The IHC will be subject to supervision and regulation, including as to regulatory capital and stress testing, by the FRB as if it were a US bank holding company of comparable size. The IHC will be subject to the US minimum leverage capital requirement (which is different than the Basel III international leverage ratio, including to the extent that the generally applicable US leverage ratio does not include off-balance sheet exposures) from January 2018. Barclays continues to evaluate the implications of the FRB’s EPS Rule for the Group. Nevertheless, Barclays currently believes that, in the aggregate, the EPS Rule (and, in particular, the leverage requirements in the final rules that will be applicable to the IHC in 2018) are likely to increase the operational costs and capital requirements and/or require changes to the business mix of Barclays’ US operations, which ultimately may have an adverse effect on the Group’s overall result of operations; and

- Implementation of the ‘Volcker Rule’ under the Dodd-Frank Act. In December 2013, the relevant US regulatory agencies, including the FRB, the FDIC, the SEC and the CFTC, finalized a rule implementing the requirements of Section 619 of the Dodd-Frank Act, the Volcker Rule. Once fully effective, the Volcker Rule will prohibit banking entities, including BPLC, BBPLC and their subsidiaries and affiliates, from undertaking certain ‘proprietary trading’ activities (but will allow activities such as underwriting, market making and risk-mitigation hedging) and will limit the sponsorship of, and investment in, private equity funds (including non-conforming real estate and credit funds) and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain exceptions and exemptions, including those listed above as well as exemptions applicable to transactions and investments occurring solely outside of the US.

The Volcker Rule also requires Barclays to develop an extensive compliance and monitoring program (both inside and outside of the US), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and it is therefore expected that compliance costs will increase. The Volcker Rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it.
Subject entities are generally required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance program by July 2015 (with certain provisions subject to possible extensions). More specifically, in December 2014, the FRB extended the compliance period through July 2016 for investments in and relationships with covered funds that were in place prior to 31 December 2013, and indicated that it intends to further extend the compliance period through July 2017.

These laws and regulations and the way in which they are interpreted and implemented by regulators may have a number of significant consequences, including changes to the legal entity structure of the Group, changes to how and where capital and funding is raised and deployed within the Group, increased requirements for loss-absorbing capacity within the Group and/or at the level of certain legal entities or sub-groups within the Group and potential modifications to the business mix and model (including potential exit of certain business activities). These and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group’s profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends and/or financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group which could be material.

2.1.1 Reform Measures – UK

2.1.1.1. Resolution of UK Banking Groups

There have been various reform measures enacted in the UK that are in large part designed to enhance the resolvability of UK banking groups in a manner that will minimize systemic risk and will not require extraordinary government support while ensuring continuity of services during a stress or resolution event.

The UK Banking Act 2009, as amended (the Banking Act) provides a regime to allow the BoE (to resolve failing banks in the UK, in consultation with the Prudential Resolution Authority (PRA) and HMT as appropriate. Under the Banking Act, the BoE is given powers to: (i) make share transfer or property transfer instruments pursuant to which all or some of the securities issued by, all or some business of, a UK bank may be transferred to a commercial purchaser; (ii) make share transfer or property transfer instruments pursuant to which all or some of the securities issued by, or all or some of the business of, a UK bank may be transferred to a ‘bridge bank’, which is a company controlled by, and wholly or partially owned by the BoE; and (iii) make share transfer or property transfer instruments pursuant to which all or some of the securities issued by, or all or some of the business of, a UK bank may be transferred to an asset management vehicle, which is a company controlled by the BoE and wholly or partially owned by the BoE or HMT. In addition, under the Banking Act, HMT is given the power to take a bank into temporary public ownership by making one or more share transfer orders in which the transferee is a nominee of HMT or a company wholly owned by HMT.

A share transfer instrument or share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including BBPLC) or its holding company (BPLC) and warrants for such shares and bonds. Certain of these powers also extend to companies within the same group as a UK bank. The Banking Act also gives the authorities powers to suspend obligations and events of default or termination rights that might otherwise be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation that may otherwise be payable in the context of both share transfer orders and property appropriation.

The resolution powers described above have recently been supplemented with a ‘bail-in’ power introduced under the Banking Reform Act. This power allows for the cancellation or modification (including the conversion into equity) of one or more liabilities with the exception of ‘excluded liabilities’. Excluded liabilities include (amongst other things): deposits protected under a deposit insurance scheme, secured liabilities to the extent of the secured amount, client assets and assets with an original maturity of less than seven days which are owed to a credit institution or investment firm.
The BoE bail-in powers were brought into force with effect from 1 January 2015. Measures specifying the minimum amount of liabilities eligible for bail-in which a bank must hold will come into effect in 2016.

Since 20 February 2015, UK banks and their parents are required to include in debt instruments, issued by them under the law of a non-EEA country, terms under which the relevant creditor recognizes that the liability is subject to the exercise of bail-in powers by the BoE. Similar terms will be required in contracts governing other liabilities of UK banks and their parents if those liabilities are governed by the law of a non-EEA country, are not excluded liabilities under the Banking Reform Act and are issued, entered into or arise after 31 December 2015.

The PRA has issued rules that require Barclays to draw up a recovery plan and resolution and information pack. A recovery plan is designed to outline credible recovery actions that could be implemented in the event of severe stress in order to restore business to a stable and sustainable condition. The resolution pack contains detailed information on Barclays which will be used to develop resolution strategies for the firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

2.1.1.2. Other UK Regulatory Requirements

In addition to providing for the bail-in stabilization power referred to above, changes brought in by the Banking Reform Act and associated secondary legislation will require, amongst other things: (i) the separation of the retail and SME deposit-taking activities of UK banks which take place in the UK or through branches of such UK banks elsewhere in the EEA into legally distinct, operationally separate and economically independent entities, which will not be permitted to undertake certain activities (ring-fencing); (ii) the increase of the loss-absorbing capacity of ring-fenced banks and UK headquartered G-SIFIs to levels higher than required under CRD IV; and (iii) a preference to be given to deposits covered by the UK Financial Services Compensation Scheme if a bank enters insolvency.

With respect to item (i) above, the Banking Reform Act put in place a framework for ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. It is expected that rules will be consulted on and made by the PRA and Financial Conduct Authority (FCA) during 2015 and 2016 which will further determine how ring-fenced banks will be permitted to operate and interact with other members of their group.

The Banking Reform Act also implements key recommendations of the Parliamentary Commission on Banking Standards (PCBS). Recommendations that have been implemented include: (i) the establishment of a reserve power for the PRA to enforce full separation of the retail and SME deposit-taking operations of UK banks under certain circumstances; (ii) the creation of a “senior managers’” regime for senior individuals in the banking and investment banking sectors to ensure better accountability for decisions made; (iii) the establishment of a criminal offence of causing a financial institution to fail; and (iv) the establishment of a regulator for payment systems.

The Financial Services Act 2012 established the Financial Policy Committee (FPC), PRA and FCA and, amongst other things, clarifies the responsibilities of HMT and the BoE in the event of a financial crisis and gives the Chancellor of the Exchequer powers to direct the BoE where public funds are at risk and there is a serious threat to financial stability. The Financial Services Act 2012 also establishes the objectives and accountabilities of the FPC, PRA and FCA; amends the conditions which need to be met by a firm before it can be authorized; gives the FPC, PRA and FCA additional powers, including powers of direction over unregulated parent undertakings (such as BPLC) where this is necessary to ensure effective consolidated supervision of the Group; and a power for the FCA to make temporary product intervention rules for a maximum period of six months, if necessary, without consultation.

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6 Capital Requirements Directive IV is the EU implementation of Basel III which is a global agreement by the Basel Committee on Banking Supervision.
2.1.1.3. Heightened Supervision by UK Regulators

Both the PRA and the FCA have continued to develop and apply a more assertive approach to supervision and the application of existing standards than has previously been the case. This approach has led, and in the future may continue to lead, to the application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, solvency and resolution of matters of conduct. In December 2013, the PRA published requirements to implement the new European capital regime, clarifying key policy issues that affect the minimum level of Common Equity Tier 1 (CET1) capital which banks need to maintain. The PRA has required banks to meet a 4.5% Pillar 1 CET1 requirement since 1 January 2015, which is up from 4% in 2014.

In addition to, and complementing an EU-wide stress testing exercise conducted on a sample of EU banks by the European Banking Authority (EBA), and in response to recommendations from the FPC, the BoE conducted a variant of the EU-wide stress test in 2014. The ‘UK variant’ test explored particular UK macroeconomic vulnerabilities facing the UK banking system. Key parameters of the test – including the design of the UK elements of the stress scenario – were designed by the BoE. Also responding to an FPC recommendation, the BoE and PRA have developed an approach to annual stress testing of the UK banking system and the individual institutions within it. The first such exercise took place in 2014.

2.1.1.4. Influence of European legislation

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market (ESM), an important feature of which is the framework for the regulation of ‘authorized firms’. This framework is designed to enable a credit institution or investment firm (among a number of other types of firm) authorized in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorization. Barclays’ operations in Europe are authorized and regulated by a combination of both home and host regulators.

2.1.2 Reform Measures - US

2.1.2.1. Overview of US Legislation

In the US, BPLC, BBPLC and their US subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001 and the Dodd-Frank Act. These statutes combined with supporting regulations, regulate the US activities of Barclays, including its US banking subsidiaries and the US branches of BBPLC, as well as impose prudential restrictions, such as limits on extensions of credit by BBPLC’s US branches and the US banking subsidiaries to a single borrower and to affiliates.

2.1.2.2. Requirement to Establish IHC

BPLC and BBPLC are bank holding companies registered with the FRB, which exercises umbrella supervisory authority over Barclays’ US operations. As discussed above, Barclays is required to establish by July 2016 a US IHC which will hold substantially all of Barclays’ US subsidiaries and assets. This IHC will also be a US bank holding company and generally regulated as such under the BHC Act. As part of this supervision, the same IHC will also generally be subject to the enhanced prudential supervision requirements under the Dodd-Frank Act as US bank holding companies of similar size, including US Basel III-based regulatory capital and leverage, liquidity stress-testing and risk management requirements.
2.1.2.3. Other Supervisory Requirements

2.1.2.3.1 Capital Requirements

BPLC and BBPLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may generally engage in a broader range of financial and related activities, including underwriting and dealing in all types of securities, than are permitted to registered bank holding companies that do not maintain financial holding company status. Financial holding companies such as BPLC and BBPLC are required to meet or exceed certain capital ratios and be deemed to be ‘well managed’.

2.1.2.3.2 Other US Regulators

BCI is subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the National Futures Association (NFA) as well as other government agencies and self-regulatory organizations (SROs) which regulate all aspects of the securities and commodities business under US federal and state securities laws.

BBDE’s BarclayCard credit card activities are subject to the Credit Card Accountability, Responsibility and Disclosure Act of 2009, which prohibits certain pricing and marketing practices for consumer credit card accounts.

2.1.2.3.3 Dodd-Frank Act

The Dodd-Frank Act was enacted in July 2010. Although many of the required supporting regulations and rules have been adopted and implemented, a number have not yet been issued, or have been issued but not fully implemented. In addition, the rules that have been adopted and implemented have, for the most part, only recently become effective and their impact, in many cases, cannot yet be fully evaluated. Therefore, the full scale of the Dodd-Frank Act’s impact on Barclays continues to evolve. In addition, market practices and structures may change in response to the requirements in ways that are difficult to predict but that could impact Barclays’ business.

Nonetheless, certain provisions of the Dodd-Frank Act are particularly likely to have a significant effect on the Group as follows.

**Structural Reform, the EPS Rule** As previously stated, on 18 February 2014, the FRB issued the EPS Rule implementing Section 165 of the Dodd-Frank Act. The EPS Rule’s specific requirements depend on the amount of total consolidated assets held by the firm with the most stringent requirements imposed on foreign banking organizations with over $50bn in US non-branch assets. Barclays is subject to the most stringent requirements of the EPS Rule, including the requirement to create a US IHC.

The IHC will be subject to supervision and regulation by the FRB as if it were a US bank holding company of comparable size. Barclays Bank PLC’s US branches will be subject to certain separate requirements, including with respect to liquidity. The IHC will be subject to a number of additional supervisory and prudential requirements, including:

- FRB regulatory capital requirements and leverage limits;
- Mandatory stress testing of capital levels by the FRB, and submission of a capital plan to the FRB;
- Supervisory approval of, and limitations on, capital distributions by the IHC to Barclays Bank PLC;
- Additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC (and also, separately, for Barclays Bank PLC’s US branch network), and to maintain a 30-day buffer of highly liquid assets;
- Other liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB, and maintenance of an independent function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays’ combined US operations; and

- Overall risk management requirements, including a US risk committee and a US chief risk officer.

**Resolution plans required:** The Agencies issued the Final Rule to implement Section 165(d) of the Dodd-Frank Act which requires bank holding companies with total consolidated assets of $50bn or more to submit annual resolution plans that detail how the subject firm could be resolved under the US Bankruptcy Code or other relevant insolvency regime in a rapid and orderly manner. Foreign banking organizations that are treated as bank holding companies under US law, such as BPLC, are required to submit such plans with respect to their US operations. Barclays submitted annual US resolution plans in 2012, 2013, 2014 and this plan fulfills those requirements for 2015.

**Regulation of derivatives markets, the Swap Dealer Rule** Among the changes mandated by the Dodd-Frank Act is a requirement that many types of derivatives that used to be traded in the over-the-counter (OTC) markets be traded on an exchange or swap execution facility (SEF) and centrally cleared through a regulated central counterparties (CCPs). In addition, many participants in these markets are required to register with the CFTC as ‘swap dealers’ or ‘major swap participants’ and/or with the SEC as ‘security-based swap dealers’ or ‘major security-based swap participants’ and be subject to CFTC and SEC regulation and oversight (the CFTC Swap Dealer Rule). BBPLC has complied and has registered with the CFTC as a swap dealer. Entities required to register are subject to business conduct, record-keeping and reporting requirements and will be subject to capital and margin requirements.

These rules could restrict trading activity, reduce trading opportunities and market liquidity, and potentially increase the cost of hedging transactions and the volatility of the relevant markets. It is also possible that registration, execution, clearing and compliance requirements as well as other additional regulations (certain of which still are not final), and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets. BBPLC and its subsidiaries and affiliates may be exposed to these effects whether or not these subsidiaries are required to register in the capacities described. The new regulation of the derivative markets could adversely affect the business of BBPLC and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities.

**Risk retention requirements for securitizations, the Credit Risk Retention Rule:** Multiple US regulators were required by the Dodd-Frank Act to develop rules whereby, subject to certain exceptions, any sponsor of an asset-backed security (ABS) transaction must retain, generally, not less than five percent of the credit risk of any asset that the sponsor, through the issuance of ABS, transfers, sells or conveys to a third party. The Credit Risk Retention Rule was issued jointly by multiple agencies 24 December 2014 and became effective 23 February 2015 with compliance required 24 December 2015 for residential mortgage-backed securitizations and 24 December 2016 for all other securitization types.

**Consumer Financial Protection Bureau (CFPB):** The CFPB’s mission is to protect consumers of financial products including credit card and deposit customers. The CFPB has the authority to examine and take enforcement action against any US bank with over $10bn in total assets, such as BBDE, with respect to its compliance with Federal laws and regulations regarding the provision of consumer financial services, and with respect to ‘unfair, deceptive or abusive acts and practices. The CFPB has initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements, and commitments to modify business practices.

**Liquidity Coverage Ratio:** During 2014, the US Federal bank regulatory agencies, including the FRB, issued final rules implementing the US Liquidity Coverage Ratio (the LCR Rule) that are generally consistent with the Basel Committee’s framework, but with certain modifications, which include accelerated transitional provisions and more stringent requirements related to both the range of assets that qualify as high-quality liquid assets, and expected cash outflow.
assumptions for certain types of funding. While the LCR Rule does not currently apply to foreign banking organizations such as Barclays, the FRB has indicated it is considering future application of the LCR Rule to the IHC once it is established.

2.1.3 Reform Measures – EU

2.1.3.1. Overview

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers, it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) has had responsibility for the supervision of the most significant credit institutions, financial holding companies or mixed financial holding companies within the Eurozone since November 2014. The ECB may extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities.

Notwithstanding the new responsibilities of the ECB, the EBA, along with the other European Supervisory Authorities (ESA), remains charged with the development of a single rulebook for the EU as a whole and with enhancing cooperation between national supervisory authorities. The European Securities Markets Authority (ESMA) has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. This may serve to increase or decrease the amount of capital and other resources that the Group is required to hold. The overall effect is not clear and may only become evident over a number of years. The EBA and ESMA each have the power to mediate between and override national authorities under certain specific circumstances.

Responsibility for day to day supervision of financial entities remains with national authorities, and for banks, like the banks in the Group, that are incorporated in countries that will not participate in the single supervisory mechanism (i.e. which are not established within the Eurozone), it is expected that this will remain the case. Basel III and (from 2016) the capital surcharge for systemic institutions have been implemented in the EU by CRD IV. The provisions of CRD IV either entered into force automatically on, or had to be implemented in member states by, 1 January 2014. Much of the ongoing implementation is expected to be done through binding technical standards being developed by the EBA, that are intended to ensure a harmonized application of capital rules for banks through the EU which are still largely in the process of being developed and adopted.

2.1.3.2. BRRD

A significant addition to the EU legislative framework for financial institutions has been the BRRD which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The BRRD is intended to implement many of the requirements of the FSB’s “Key Attributes of Effective Resolution Regimes for Financial Institutions”. The BRRD was formally passed into EU law in April 2014. All of the provisions of the BRRD had to be implemented in the law of EU Member States by 1 January 2015 except for those relating to bail-in which will have to be implemented in Member States by 1 January 2016.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through transfers of business and, when implemented in relevant member states, creditor financed recapitalization (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of senior unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also stipulates that firms will need to meet a ‘Minimum Requirement for own funds and Eligible Liabilities’ (MREL) in a form designed to allow them to be subject to bail-in (the precise requirements in relation to MREL will have to be coordinated with the FSB’s TLAC proposals discussed below). The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonized set of resolution tools across
the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions, which include the establishment of prefunded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal also envisages that national deposit guarantee schemes may be able to fulfill this function.

2.1.3.3. Other Regulatory Initiatives

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the group recommended the mandatory separation of proprietary trading and other high-risk trading activities from other banking activities. The European Commission issued proposals to implement these recommendations in January 2014. These proposals would apply to G-SIFIs, other large EU banks and banking groups and certain large EU branches of non-EU banks (in each case as long as certain quantitative limits are met) and envisage, amongst other things: (i) a ban on proprietary trading in financial instruments and commodities; (ii) giving supervisors the power and, in certain instances, the obligation to require the transfer of other trading activities deemed to be “high risk” from banks to separate legal trading entities within the group; and (iii) rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group.

Contemporaneously, the European Commission also adopted proposals to enhance the transparency of shadow banking, especially in relation to securities financing transactions. Both of these proposals are still being considered by the European Parliament and by the Council. Their impact, if they are adopted, remains to be determined.

The European Market Infrastructure Regulation (EMIR) has introduced new requirements to improve transparency and reduce the risks associated with the OTC derivatives market. These requirements have been coming into force progressively since 2013 and some requirements are still to be brought in. When it is fully in force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives: (i) to report to a trade repository specified details of every derivative contract that they enter into; (ii) implement new risk management standards (including, in some cases, the posting and collection of collateral) for bilateral OTC derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, certain specified types of OTC derivatives that are subject to a mandatory clearing obligation. EMIR has potential operational and financial impacts on the Group, including imposing additional collateral requirements.

Lower capital requirements for cleared trades are only available if the central counterparty through which the trade is cleared is recognized as a ‘qualifying central counterparty’ which has been authorized or recognized under EMIR (in accordance with binding technical standards).

Proposals, in the form of a directive and regulation (together, MiFID II), to amend the Markets in Financial Instruments Directive (MiFID) were agreed in January 2014. MiFID II will affect many of the investment markets in which the Group operates and the instruments which it trades, and how it transacts with market counterparties and other customers. Changes to MiFID under MiFID II include the introduction of a new type of trading venue (the organized trading facility), to capture organized non-equity trading that falls outside the current regime. Investor protections have been strengthened, and new curbs imposed on high frequency and commodity trading. Pre-and post-trade transparency has been increased (in particular by expansion to non-equity financial instruments), and a new regime for third country firms introduced. The changes also include new requirements for non-discriminatory access to trading venues, central counterparties, and benchmarks, and harmonized supervisory powers and sanctions across the EU. MiFID II does not take effect until 3 January 2017 and many of the provisions and accompanying regulation will be implemented by means of technical standards which are still to be drafted adopted. Some of the impacts on the Group will not be clear until these technical standards have been adopted.
2.2 Other Actions

2.2.1 Recovery and Resolution Planning

There continues to be a strong regulatory focus on resolvability from international and UK regulators. The Group made its first formal RRP submissions to the UK and US regulators in mid-2012 and has continued to work with the relevant authorities to identify and address impediments to resolvability since then.

In the UK, RRP work is now considered part of continuing supervision. Removal of barriers to resolution will be considered as part of the PRA’s supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. While the Group believes that it is making good progress in reducing impediments to resolution, should the relevant authorities ultimately decide that the Group or any significant subsidiary is not resolvable, the impact of such structural changes (whether in connection with RRP or other structural reform initiatives) could impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

In the US, Barclays is one of several G-SIFIs required to file resolution plans with the Agencies under provisions of the Dodd-Frank Act. The Agencies provided feedback in August 2014 with respect to the 2013 US resolution plan submissions of the G-SIFIs with over $250bn in total consolidated worldwide assets, including Barclays (the filers). This feedback required the filers to make improvements to their 2015 US resolution plan submissions. The 2015 Plan, of which this Public Section is a part, has been revised to address the requirements set out in the feedback and any subsequent guidance received from the Agencies. Barclays continues to work with the Agencies to address perceived issues in its US resolution plans and over the course of the year has participated in numerous meetings with the Agencies in order to improve the resolution plan.

2.2.2 Capital Requirements

Additional considerations in relation to capital requirements likely to arise as a result of other regulatory reforms including both UK, EU and US proposals on bank structural reform, the FSB TLAC proposal, and the EBA MREL proposal among others. Given many of the proposals are still in draft form and subject to change, the precise impact is still being assessed and is unknown.

Barclays is participating in an FSB Quantitative Impact Study (QIS) to determine the quantum and composition of TLAC requirements. However, it is likely that these changes in law and regulation will have an impact on the Group as they would require changes to the legal entity structure of the Group and how businesses are capitalized and funded.

Any such increased capital requirements may also constrain the Group’s planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group’s costs, impact on the Group’s earnings and restrict the Group’s ability to pay dividends. Moreover, during periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, increasing the Group’s capital resources in order to meet targets may prove more difficult and/or costly.

2.2.3 Credit Ratings

In addition to monitoring and managing key metrics related to the financial strength of the Group, Barclays also subscribes to independent credit rating agency reviews by Standard & Poor’s (S&P), Moody’s, Fitch and DBRS. These ratings assess the creditworthiness of BPLC, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance.
2.2.3.1. Rating Agency Methodology Changes (Emerging Risk)

During 2015, credit rating agencies are expected to complete their reviews and revisions of their ratings of banks by country to address their perception of the impact of ongoing regulatory changes designed to improve the resolvability of banks in a manner that minimizes systemic risk, such that the likelihood of extraordinary sovereign support for a failing bank is less predictable, as well as to address the finalization of revised capital and leverage rules under CRD IV.

Credit ratings as at 31 December 2014:

- Barclays PLC
  - Long-term: S&P A- (Negative); Moody’s A3 (Negative); Fitch A (Stable); and
  - Short-term: S&P A-2; Moody’s P-2; Fitch F1.

- Barclays Bank PLC
  - Long-term: S&P A (Negative); Moody’s A2 (Negative); Fitch A (Stable); DBRS AA (Low) (Stable);
  - Short-term: S&P A-1; Moody’s P-1; Fitch F1; DBRS R-1 (mid) (Stable); and
  - Stand-alone rating: S&P bbb+; Moody’s C- (Stable); Fitch a; DBRS A (high) (Stable).

The credit ratings of most financial institutions, including Barclays, benefit from sovereign support notches to reflect the historic propensity for governments to support systemically important banks. As regulation has evolved, credit rating agencies have communicated their intention to remove part or all of this support over time from their ratings assessments.

In line with this intent, in February 2015 S&P took action to remove the government support notches from certain UK and Swiss bank non-operating holding companies, including BPLC and BBPLC. This resulted in a downgrade of BPLC by two notches to BBB/A-2 with stable outlook as they believe the prospect of extraordinary government support to its senior creditors is now unlikely. The industry-wide reassessments of government support by S&P, Moody’s and Fitch in H1 2015, have been well flagged to the market and had been expected to negatively affect ratings from Q1 2015 onwards. Concurrently, rating agencies have updated and/or changed their methodologies to better reflect that cushions of junior debt, which would absorb losses ahead of senior bank creditors, may partially or fully offset sovereign support notch removal.

On 9 June 2015, S&P announced the outcome of its ratings review of UK, German and Austrian bank operating companies, including BBPLC, initiated on 3 February 2015. This has resulted in a one notch downgrade of the long and short term ratings of BBPLC and its S&P rated subsidiaries and branches\(^7\) to A-/A-2 with Stable outlook from A/A-1 previously. The industry-wide rating action is in line with expectations and reflects: (i) removal of the two-notch uplift for government support (S&P now believes that the prospect of extraordinary government support for UK banks is uncertain given full implementation of the BRRD as of 1 January 2015, and (ii) partial offset by one notch uplift through application of S&P’s criteria for “additional loss absorbing capacity.” There is no change to the standalone credit profile (i.e. unsupported credit rating) of BBPLC, which was affirmed at bbb+. BBPLC was not impacted by the action taken by S&P on 9 June 2015, given the downgrade to BBB/A-2 on 3 February 2015. However, AT1 securities issued by BBPLC were upgraded by one notch to B+, reflecting the improved capital position of the

\(^7\) DBRS does not rate BPLC.
\(^8\) Impacted subsidiaries and branches of Barclays Bank PLC (long- and/or short-term ratings): Barclays Bank Ireland PLC, Barclays Private Clients International Ltd., Barclays Capital Inc., Barclays Bank plc (Milan Branch), Barclays Bank plc (Madrid Branch), Barclays Bank plc (Singapore Branch), Barclays Financial LLC, Barclays U.S. Funding Corp.
Group. Action on banks domiciled in countries that implement the BRRD bail-in powers on 1 January 2016 is expected in late 2015.

On 28 May 2015, Moody’s concluded its ratings review on 13 Global Investment Banking Groups, including Barclays, following the ratings review initiated on 17 March 2015. The rating agency: (i) applied its new bank rating methodology; (ii) lowered the number of sovereign support notches for bank operating companies in the US, the EU and Switzerland; (iii) removed government support notches in full for holding companies; and (iv) assigned Counterparty Risk (CR) assessments to bank subsidiaries and branches. The ratings impact for Barclays was fully in line with expectations. There were no changes to the A2/P-1 senior unsecured ratings of BBPLC, as the ratings were affirmed and outlook changed from Negative to Stable on 17 March 2015. Long- and short-term CR assessments of A1/P-1 were assigned. The senior unsecured ratings of B PLC were downgraded by three notches to Baa3/P-3/Stable due to the full removal of sovereign support notches and no methodology driven offset. BPLC’s senior subordinate (Tier 2) ratings were upgraded by one notch to Baa3/Stable.

On 19 May 2015, Fitch took rating action on banks in the EU, globally systemically important banks in the US and Switzerland, and on banks in Hong Kong. These actions included affirmations, downgrades and upgrades of Issuer Default ratings depending on specific circumstances, including potential removal and or reduction of sovereign support floors. The action did not result in any changes to the A/F1/Stable ratings of BPLC and BBPLC, which were affirmed as part of the announcement. This is because Barclays’ standalone rating (viability rating) was already equivalent to the UK sovereign support floor which Fitch removed.

### 2.2.4 Key Risks That May Impact Resolution

#### 2.2.4.1. Conduct Risk

- Any inappropriate judgments or actions taken by the Group in the execution of its business activities or otherwise that may adversely impact the Group or its employees as well as any such actions that may have a detrimental impact on the Group’s customers, clients or counterparties.

Such judgments or actions may negatively impact the Group in a number of ways including, for example, negative publicity and consequent erosion of reputation, loss of revenue, imposition of fines, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, criminal and civil penalties and other damages, reduced workforce morale, and difficulties in recruiting and retaining talent. The Group may self-identify incidents of inappropriate judgment which might include non-compliance with regulatory requirements where consumers have suffered detriment leading to remediation of affected customers. There are a number of areas where the Group has sustained financial and reputational damage from previous periods and where the consequences continued in 2014 and are likely to have further adverse effects in 2015 and possibly beyond.

As a global financial services firm, the Group is subject to the risks associated with money laundering, terrorist financing, bribery and corruption and economic sanctions and may be adversely impacted if it does not adequately mitigate the risk that its employees or third parties facilitate or that its products and services may be used to facilitate financial crime activities. Furthermore, the Group’s brand may be adversely impacted from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical and not in keeping with the Group’s stated purpose and values. Failure to appropriately manage these risks and the potential negative impact to the Group’s reputation may reduce, directly or indirectly, the attractiveness of the Group to stakeholders, including customers and clients. Furthermore, such a failure may undermine market integrity and result in detriment to the Group’s clients, customers, counterparties or employees leading to remediation of affected customers by the Group.

#### 2.2.4.2. Liquidity Risk

- The risk that the firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results
in a firm’s inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a wide range of Group-specific and market-wide events.

Efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Management Framework (the Liquidity Framework) which is designed to maintain liquidity resources that are sufficient in amount and quality, and a funding profile, appropriate to maintain market confidence in the Group's name and meet the Liquidity Risk Appetite (LRA) as set by the Board. This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements. The America’s Treasury in the US, mirrors the profile of Barclays Treasury Liquidity Framework.

Barclays Treasury operates a centralized governance control process that covers all of the Group’s liquidity risk management activities. As required under the Enterprise Risk Management Framework (ERMF), the Treasury Key Risk Officer (KRO) approves the Liquidity Framework under which the Treasury function operates. The Treasury KRO reports into the Head of Financial Risk (Principal Risk Officer) and has an independent reporting line to the risk function. The Liquidity Framework is subject to annual review. The Liquidity Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the LRA. The Board sets the Group’s LRA, being the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Treasury Committee is responsible for the management and governance of the mandate defined by the Board and includes the following subcommittees:

- The Funding and Liquidity Risk Committee (FLRCo) is responsible for the review, challenge and recommendation of the Liquidity Framework to the Treasury Committee; and
- The Liquidity Management Committee, (LMC) which is responsible for managing the liquidity of the Group through a liquidity event.

The Americas Treasury has a comprehensive Liquidity Framework for managing the US operation’s liquidity risk. The Liquidity Framework describes liquidity policies and controls that Americas Treasury has implemented to manage liquidity risk within the LRA. The Liquidity Framework is designed to deliver the appropriate term and structure of funding consistent with the LRA. Liquidity is monitored and managed on an on-going basis through:

- **Risk appetite and planning**: established LRA together with the appropriate limits for the management of liquidity risk. This is the level of liquidity risk the Americas chooses to take in pursuit of its business objectives and in meeting its regulatory obligations in conformance with the Group LRA.
- **Liquidity limits**: management of limits on a variety of on and off balance sheet exposures and these serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.
- **Internal pricing and incentives**: active management of the composition and duration of the balance sheet and of contingent liquidity risk through the transfer of liquidity premium directly to the businesses.
- **Early warning indicators**: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to Barclays. These are designed to immediately identify the emergence of increased liquidity risk to maximize the time available to execute appropriate mitigating actions.
- **Contingency Funding Plan**: maintenance of a CFP which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses of varying severity.
- **Recovery Plan**: In accordance with the requirements of the PRA Rulebook: Recovery & Resolution, Barclays has developed a Group Recovery Plan. The key objectives are to provide the Group, including the US operations, with a range of options to ensure the viability of the firm in a stress, set consistent Early Warning Indicators and to enable the Group to be adequately prepared to respond to stressed conditions.
- **Resolution Plans**: The Group continues to work closely with the BoE and the PRA on developing the Group-level resolution plan in the UK. In the US, an annual resolution plan is submitted covering Barclays’ US operations in conformance with the Agencies’ Final Rule and subsequent guidance and requirements.

Table 2.24.2(i) below provides a high level overview of key steps from BAU through Resolution.

<table>
<thead>
<tr>
<th>Ongoing Business Management</th>
<th>Early Signs/ Mild Stress</th>
<th>Severe Stress</th>
<th>Recovery</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ LRA and Planning</td>
<td>▪ Monitoring and review</td>
<td>▪ Activate Contingency Funding Plan</td>
<td>▪ Asset and liability actions to generate additional liquidity</td>
<td>▪ Ensure an orderly resolution can be carried out if necessary, without adverse systemic risk or exposing the public fund to loss</td>
</tr>
<tr>
<td>▪ Liquidity limits</td>
<td>▪ Low cost actions and balance sheet optimization</td>
<td>▪ Balance sheet reduction and business limitations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Early Warning Indicators Committee</td>
<td>▪</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.2.5 Composition of Wholesale Funding

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a number of distribution channels and geographies, money markets, and repo markets. The Group has direct access to US, European and Asian capital markets through its global investment banking operations and long-term investors through its clients worldwide, and is an active participant in money markets. As a result, wholesale funding is well diversified by product, maturity, geography and major currency.

### 2.2.6 Adherence to ISDA Protocol

In November 2014, Barclays agreed to adhere to a protocol which was developed by the International Swaps and Derivatives Association (ISDA) in coordination with the FSB and international regulators to support cross-border resolution and reduce systemic risk. BBPLC is Barclays’ registered Swap Dealer in the US and is the contracting party for the vast majority of the Group’s ISDA Master Agreements. By adhering to this protocol Barclays is able, in ISDA Master Agreements and related credit support agreements entered into with other adherents, to opt into different resolution regimes such that in certain instances Barclays recognizes that cross-default and direct default rights that would otherwise arise under the terms of such agreements would be stayed temporarily (and in some circumstances overridden) on the resolution of one of the parties. In 2015, the product and adherence scope of the ISDA Resolution Protocol are likely to be widened, leading to enhanced commitments from Barclays and other C-SIFIs.

### 3 Executive Summary of The 2015 Plan

Barclays recognizes and supports the critical importance of resolution planning, which serves as a guide for regulatory and insolvency authorities to use in the event of Material Financial Distress or failure and understands that one of the primary purposes of the US resolution plan is to enhance the Agencies’ understanding of Barclays’ US operations and improve collaborative efforts to develop a comprehensive and coordinated resolution strategy for a cross-border firm. The Dodd-Frank Act was enacted in part to ensure that a loss or failure of a financial institution could be managed and resolved without reliance on extraordinary government or taxpayer support.

The development of the 2015 Plan is the result of an iterative process with the Agencies. As stated in the Agencies’ press release of 5th August 2014, Barclays received a letter from the Agencies that set out additional information and analysis to address what the Agencies perceived as ‘shortcomings’ in Barclays’ 2013 US Resolution Plan9 (the

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9 Barclays did not receive feedback or comments from the Agencies with respect to Barclays’ 2014 US Resolution Plan prior to submitting the 2015 Plan.
Feedback Letter). Barclays is committed to maintaining forward momentum in developing an effective US resolution strategy that the Agencies find to be credible within the meaning of section 165(d) of the Dodd-Frank Act and the Final Rule. Barclays’ commitment to, and focus on, resolution planning are demonstrated internally through the implementation of group-wide policies, the adoption of additional risk monitoring and internal controls and enhancements to Barclays’ governance framework, and demonstrated externally through leadership in industry forums, participation in round table dialogue and continuous dialogue with regulators. The information and strategies contained in the 2015 Plan address the feedback received in the Feedback Letter and is presented in order to enable authorities to make expedited and informed decisions to avoid a financial crisis and facilitate a rapid and orderly resolution of Barclays’ US operations.

3.1 High Level Summary

The Agencies are aware of the multiple structural reform measures currently underway at Barclays, including the establishment of the IHC by July 2016. The Agencies requested that Barclays prepare the 2015 Plan from the point of view of the ‘current state’ of the firm with discussion about ‘future state’ implications. Therefore, the 2015 Plan is presented from two view points: the future state which is Barclays’ preferred single point of entry resolution strategy involving bail-in at BPLC and how that will impact the future IHC and the US operations; and a current state hypothetical analysis of a resolution of BCI, Barclays’ US broker-dealer and Futures Commission Merchant, which is the most significant Barclays’ operating entity in the US.

With respect to the future state implications, as mentioned above, the UK passed legislation which became effective January 2015 that enables the BoE to ‘resolve’ Barclays through the use of a bail-in tool. In the UK, any bail-in would occur at BPLC level through the bail-in and conversion of certain debt to equity in the firm. Unlike single-point-of-entry resolution scenarios in the US under Title II of the Dodd-Frank Act, bail-in in the UK does not necessarily involve the establishment of a bridge entity. In order to prepare for bail-in, Barclays is currently in the process of building a bail-in eligible senior, subordinated, and additional Tier I capital layer at BPLC rather than BBPLC where it has been held historically. The regulators in the UK, EU and US are developing regulation which will specify the levels of debt that must be held at a G-SIFI parent to ensure adequate Total Loss Absorbing Capacity (TLAC) dependent on the size and complexity of the firm. Barclays is hopeful that regulations with respect to TLAC will be issued in 2015 in order to facilitate G-SIFI resolution preparedness for single point of entry strategies.

The current state of the US operations are analyzed in the 2015 Plan from the point of view of a bail-in resolution strategy as well as an analysis of the hypothetical failure of BCI under the Securities Investor Protection Act of 1970 (SIPA) which includes a detailed analysis of how client and house positions held at BCI could be unwound or sold leading up to the appointment of a SIPC Trustee and through the post-resolution transfer of any remaining client positions to alternative broker-dealers or FCMs. By so doing, Barclays was able to identify potential obstacles or issues that may arise such as contract terms that may not be resolution-friendly, an in-depth understanding of inter-affiliate services that support the operating businesses of BCI, Critical Operations that would be needed both pre and post resolution proceedings, and potential hostile actions that could be taken by counterparties or service providers which may jeopardize an orderly resolution of BCI. Due to the high quality liquid nature of BCI’s repo book which comprises 85-90% of BCI’s balance sheet and is primarily US Treasury instruments, Barclays views this scenario and the failure of BCI as highly unlikely. However, the analysis has been very beneficial for the firm and has sensitized executive management to potential risks which have either been fully remediated or are in the process of being fully remediated.

If the resolution scenario with respect to BCI were to take place, Barclays has assessed what its post-resolution organization in the US would look like. BCI is Barclays’ conduit to the US markets. In a situation where BCI failed, Barclays would either need to engage or acquire an alternative US broker-dealer and FCM in order to continue to conduct its securities business in the US, or would consider whether Barclays would remain an active participant in the US market.
Unlike the US G-SIFI's which have the ability to form a US resolution plan that is centered around a Chapter 11 reorganization of the parent bank holding company and would therefore be able to present a plan to re-shape the organization and have it emerge from bankruptcy in some form, the vast majority of Barclays' has a less complex business model in the US than other firms. The majority of Barclays US business is conducted by BCI. A broker-dealer, such as BCI, is not eligible for reorganization under Chapter 11 of the US Bankruptcy Code so Barclays is at a disadvantage from the other firms as the required resolution analysis under the Final Rule is limited to a liquidation of the broker-dealer under SIPA only. Additionally, certain restrictions placed by the Agencies on Barclays’ analysis prevent Barclays from preparing an analysis that would allow BCI to survive a Material Financial Distress event and emerge as a continuing viable entity. Once the US IHC is established, Barclays is considering focusing future US resolution plans on a Chapter 11 reorganization of the IHC. In any event, Barclays continues to ensure that it complies with the Final Rule and any subsequent regulatory guidance received by the firm.

Under the scenario where BCI is placed into a SIPA liquidation, the 2015 Plan demonstrates how other Material Entities (as such term is defined in the Final Rule and as such entities are listed below) would remain adequately funded through the resolution process so as to avoid the commencement of insolvency proceedings for such entities. The 2015 Plan also discusses what the resolution of such entities would look like if insolvency proceedings commenced for such entities.

For example, Barclays prepared an analysis of NYBR which demonstrates the firm’s ability to meet heightened supervision requirements that could be placed on NYBR by the New York State Department of Financial Services (NYDFS) under the New York Banking Law (NYBL). Although there is no precedent that the NYDFS would take such an action due to the material financial distress (MFD) of BCI, Barclays goes through the analysis which demonstrates the firm’s ability to meet an asset maintenance requirement far above what would be considered reasonable.

Once the IHC is implemented, since NYBR will remain outside of the IHC, with respect to a bail-in resolution scenario, NYBR would be kept out of resolution as a branch of BBPLC, which itself would be bailed-in as needed.

Barclays’ resolution strategy, in Barclays’ view, provides for the orderly wind-down or transfer of any Critical Operations (as defined in the Final Rule) in a manner that minimizes any negative systemic impact to the US economy.

## 3.2 Material Entities

Material Entities are defined by the Final Rule as a subsidiary or foreign office of the Covered Company that is significant to the activities of a Core Business Line or Critical Operation (as each such term is defined in the Final Rule). A Core Business Line is defined under the Final Rule as a business line in the US that in the view of Barclays upon failure would result in a material loss of revenue, profit, or franchise value. To determine Core Business Lines, Barclays analyzed the revenue contribution of each of the businesses conducted in the US as well as the importance of the business line to the overall franchise value of Barclays. Per the Final Rule, Core Business Lines and Critical Operations are inclusive of associated services, functions and support. Barclays has analyzed the interconnectedness of Core Business Lines and Critical Operations and the associated services, functions and support which resulted in the identification of the Material Entities that are the subject of the 2015 Plan.

In order to identify interconnectedness, Barclays has implemented an IT solution that utilizes data from Human Resources, Technology and Corporate Real Estate Services which maps Core Business Lines and Critical Operations to those employees that perform support functions, the systems that they rely on in performing their functions, and the geographic and office site where they reside. This allows Barclays to manage and exert governance over those remote locations and personnel that are providing support services to the Core Business Lines and Critical Operations. Through this mapping, the employing entities are identified which results in the identification of Material Entities to be analyzed in the US resolution plan.
Nine entities have been determined by Barclays to conduct or support Core Business Lines and Critical Operations. These nine entities are the Material Entities analyzed in the 2015 Plan. Such entities are made up of two Material Operating Entities in the US that conduct Core Business Lines and/or Critical Operations, BCI and Barclays Bank PLC New York Branch (NYBR) (the Material Operating Entities), and seven Material Servicing Entities in the US, UK, Singapore and India (the Material Servicing Entities) that provide associated services, functions and support for the Core Business Lines and Critical Operations. Table 3.2(i) below lists the Covered Company and nine Material Entities.

<table>
<thead>
<tr>
<th>Covered Company</th>
<th>Material Operating Entities</th>
<th>Material Servicing Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays PLC</td>
<td>Barclays Capital Inc. (US broker-dealer and futures commission merchant)</td>
<td>Barclays Services Corporation (Infrastructure support service entity)</td>
</tr>
<tr>
<td>(Top-tier bank holding company)</td>
<td>Barclays Bank PLC – New York Branch (New York Branch of Barclays Bank PLC)</td>
<td>Barclays Capital Services Inc. (Infrastructure support service entity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barclays Capital Services Limited (Infrastructure support service entity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barclays Capital Services Limited - Singapore Branch (Infrastructure support service entity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barclays Technology Centre India Private Limited (Software development &amp; information technology service entity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barclays Shared Services Private Limited (Information technology service entity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long Island Holding A LLC (US entity that owns and leases real property)</td>
</tr>
</tbody>
</table>

Figure 3.2(ii) depicts the ownership structure of each of the nine Material Entities.

**Figure 3.2(ii) Simplified organizational structure as of 31 December 2014 (shows all holding companies)**

--- Branch
--- Subsidiary

--- Holding Company

--- Material Entity

--- Real Estate Participation Services Limited (UK)
--- Barclays Mauritius Overseas Holdings Limited (UK)
--- Barclays H&B Mauritius Limited (Mauritius)
--- Barclays Technology Centre India Private Limited (India)
--- Barclays Shared Services Private Limited (India)
--- Barclays Capital Services Inc. (US)
--- Barclays Capital Services Corporation (US)
--- Barclays Capital Inc. (US)
--- Barclays Group Holdings Limited (UK)
--- Barclays Group U.S. Inc. (US)
--- Barclays Directors Limited (UK)
--- Barclays Bank PLC (UK)
--- Barclays Bank PLC New York Branch (US)
--- Barclays Capital Services Limited (Singapore)
--- Barclays Capital Services Limited (UK)

--- Barclays PLC (UK)

--- Key:

--- Branch
--- Subsidiary
--- Holding Company
--- Material Entity

10 BBDE is discussed in portions of this document solely with respect to the IHC and is not a Material Entity for the purposes of the 2015 Plan due to its size and the fact that they do not conduct or support a Core Business Line or Critical Operation. Further, BBDE had total assets of $25bn as of 31 December 2014 and does not meet the regulatory minimum criteria for requiring a separate resolution plan under the separate FDIC insured depository institution resolution plan rule, 12 CFR Part 360.10.
Barclays Capital Inc. (BCI)

BCI is incorporated in the state of Connecticut and is a wholly-owned indirect subsidiary of BBPLC. BCI is a US registered securities broker-dealer and investment advisor with the SEC, an FCM, a commodity pool operator, a commodity trading advisor registered with the CFTC, as well as a municipal advisor registered with the SEC and the Municipal Securities Rulemaking Board (MSRB).

BCI is headquartered in New York, with registered domestic branch offices in Atlanta, Boston, Chicago, Dallas, Greenwich, Houston, Los Angeles, Media, Menlo Park, Miami, New York, Palm Beach, Philadelphia, San Juan, San Francisco, Santa Monica, Seattle, Washington, DC and Wells, ME. BCI’s client base includes money managers, insurance companies, pension funds, hedge funds, depository institutions, corporations, banks, money market and mutual funds, wealth clients, domestic and international supra/sovereign agencies and central banks. BCI’s activities include transactions in asset-backed securities, agency mortgage-backed securities, listed equities, international debt securities, other corporate related securities, resale and repurchase agreements, securities borrowing and lending, and serving as a primary dealer in US government securities.

Barclays Bank PLC – New York Branch (NYBR)

NYBR is licensed by the NYSDFS as a New York branch of BBPLC. NYBR’s primary activities are deposit taking, lending and management of Barclays’ USD funding position.

Barclays Services Corporation (BSC)

BSC is incorporated in the state of Delaware and is a wholly-owned indirect subsidiary of BBPLC. BSC provides infrastructure support services primarily to BCI and NYBR, but also to the other members of the Barclays Group.

Barclays Capital Services Inc. (BCSI)

BCSI is incorporated in the state of New York and is a wholly-owned indirect subsidiary of BBPLC. BCSI provides infrastructure support services to primarily BCI and NYBR, but also to the other members of the Barclays Group.

Barclays Capital Services Limited (BCSerL)

BCSerL is a private limited company, domiciled and incorporated in England and Wales. BCSerL is a wholly-owned indirect subsidiary of BBPLC. BCSerL provides infrastructure support services to Barclays Group, including BCI and NYBR.

Barclays Capital Services Limited- Singapore Branch (BCSerL Singapore)

BCSerL Singapore, a branch of BCSerL, is registered and domiciled in Singapore. BCSerL Singapore provides infrastructure support services to Barclays Group, including BCI and NYBR.

Barclays Technology Centre India Private Limited (BTCI)

BTCI, a private limited company incorporated in India, is a wholly-owned indirect subsidiary of BBPLC. BTCI provides software development and information technology services to Barclays Group, including BCI and NYBR.
Barclays Shared Services Private Limited (BSS)

Barclays Shared Services Private Limited (BSS), a private limited company incorporated in India, is a wholly-owned indirect subsidiary of BBPLC. BSS provides information technology services, including data processing, payment processing, call center, financial accounting and financial analytics services, to Barclays Group, including BCI and NYBR.

Long Island Holding A LLC (LIHA)

LIHA is a limited liability company domiciled in the US and is incorporated in Delaware. It is a wholly-owned indirect subsidiary of Barclays Long Island Limited (BLIL), a United Kingdom company that is a subsidiary of BBPLC. LIHA owns freehold and leasehold interests in properties in the US. BCI, NYBR, BSC and BCSI operate from these properties.

3.3 Core Business Lines

Core business lines, as defined in the Final Rule, are those business lines of the Covered Company, including associated operations, services, functions and support, which in the view of the Covered Company, upon failure, would result in a material loss of revenue, profit or franchise value. Barclays identified four Core Business Lines in accordance with the Final Rule. Table 3.3(i) below lists the Core Business Lines and the Material Operating Entities where the Core Business Lines are conducted for The 2015 Plan.

<table>
<thead>
<tr>
<th>Core Business Lines</th>
<th>Material Operating Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>BCI</td>
</tr>
<tr>
<td>Equities</td>
<td>BCI</td>
</tr>
<tr>
<td>Client Capital Management</td>
<td>BCI</td>
</tr>
<tr>
<td>Macro</td>
<td>BCI</td>
</tr>
</tbody>
</table>

The business activities that are applicable for The 2015 Plan are described as follows:

- **Core Business Line - Credit:**
  - Cash Fixed Income Securitized Products Group (SPG) conducts trading activities in BCI and NYBR. SPG provides market-making activities and liquidity to institutional investors in the following products: Residential Agency Mortgage-Backed Securities (RMBS), Asset Backed Securities (ABS), Commercial Mortgage-Backed Securities (CMBS), Non-Agency RMBS and whole loan trading. Clients include hedge funds, banks, government agencies, broker-dealers, central banks, large institutional investors and mortgage originations.
  - Cash Fixed Income Credit (FI Credit) is a global business, providing market-making activities and liquidity through corporate bonds, preferred stock, loan products, and bankruptcy claims on a secondary basis for customers. It also facilitates the distribution of, and provides liquidity for, Barclays’ new issue corporate credit franchise, supporting the Global Finance & Risk Solutions (GFRS) businesses within the IB. The customer base for these products includes banks, insurance companies, pension plans, asset managers, money market funds, hedge funds, central banks, broker-dealers and large institutional investors. In the US, Barclays conducts its FI Credit business through BCI and NYBR.
  - Cash Fixed Income Municipals (Muni) consists of high grade, taxable, spread flow and short-term municipal securities. As municipals are exclusively traded in US dollar (USD) currency, all activity is
conducted through BCI and NYBR. Muni provides liquidity through market-making activities on a secondary basis for Barclays’ clients. It also provides liquidity for Barclays’ new issue municipal business. Clients include banks, insurance companies, pension plans, asset managers, money market funds, hedge funds, central banks, broker-dealers and large institutional investors.

- **Core Business Line – Equities:**
  - **Cash Equities**
    - Cash Trading is a global business that trades over 5,000 stocks on global exchanges. It is an industry sector-based, single-stock trading desk focused on trade execution for institutional clients. The US Cash business primarily trades listed stocks on US exchanges such as the New York Stock Exchange (NYSE) and NASDAQ OMX Group.
    - Program Trading facilitates trade execution and customized solutions across multiple markets for trading baskets of stocks. The offering includes portfolio trading on an agency or principal basis. The desk also provides clients with trading analytics, sophisticated algorithmic strategies, customized analysis and index-related research. All US activity in Cash Trading and Program Trading is conducted through BCI.
  - **Flow Derivatives** is a client-facing business that facilitates customer order flow, execution of principal hedging strategies, and makes markets, providing liquidity in a variety of equity options, ETFs, ETNs and futures on both single names and indices. The desk transacts in listed options on all major US listed options exchanges. All US activity is conducted through BCI.
  - **Equity Financing Group (EFG)** covers PB services (clearing, settlement, custody, asset servicing, and reporting for hedge fund clients), DMA execution services, and cash/synthetic financing of client equity and equity-linked positions, as well as the street-side securities lending and secured funding functions for equity and equity-linked securities. Barclays also provides securities lending and securities funding for internal Barclays’ businesses. In the US, Barclays conducts its equity financing business in BCI, with custody provided by BCI or NYBR, depending on the financing platform chosen by the client.

- **Core Business Line - Client Capital Management (CCM):**
  - **Agency Derivatives Services (ADS)** is a global business that provides execution, clearing, intermediation and settlement services to both internal trading desks and external customers. ADS includes three main businesses: Futures, OTC Clearing and Foreign Exchange Prime Brokerage (FX PB). BCI is the legal entity that faces US customers and clears all activity for its global clients on US futures exchanges and CCPs. BBPLC also clears all activity for its’ global clients on UK and European futures exchanges and CCPs, while BBPLC Singapore mainly covers Asian markets. FX PB is not booked in BCI or the NYBR.
  - **Fixed Income Financing (FIF)** is a business that participates in securities lending and borrowing activities, bi-lateral repo and reverse repo transactions, and tri-party repurchase transactions. Clients include securities lenders, central banks, global banks, financial institutions, money fund and asset managers. The business performs two basic functions: firm financing and matchbook (customer) financing. In the US, Barclays conducts its FIF business in BCI.

- **Core Business Line - Macro:**
  - **Cash Fixed Income Rates (FI Rates)** is a global business that performs market-making activities and provides liquidity in Government securities, agencies, commercial paper and supra sovereign bonds to institutional investors. The trading desk transacts as principal to buy and sell securities to facilitate customers’ flow orders, hedge for risk management purposes and provide liquidity for new-issue...
origination. Additionally, the cash FI Rates business is a US government bond primary dealer. In the US, FI Rates cash products are traded in BCI.

3.4 Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

3.4.1 BPLC – Covered Company

Table 3.4.1(i) summarizes the consolidated balance sheet and capital position of BPLC as of 31 December 2014 in accordance with International Financial Reporting Standards (IFRS).\(^\text{11}\)

<table>
<thead>
<tr>
<th>Barclays</th>
<th>31 Dec 14 in £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash, balances at central banks and items in the course of collection</td>
<td>40,905</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>114,717</td>
</tr>
<tr>
<td>Financial assets designated at fair value</td>
<td>38,300</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>439,909</td>
</tr>
<tr>
<td>Available for sale financial investments</td>
<td>86,066</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>42,111</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>427,767</td>
</tr>
<tr>
<td>Reverse repurchase agreements and other similar secured lending</td>
<td>131,753</td>
</tr>
<tr>
<td>Other assets</td>
<td>36,378</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,357,906</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Deposits and items in the course of collection due to banks</td>
<td>59,567</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>427,704</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>45,124</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value</td>
<td>56,972</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>439,320</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>86,099</td>
</tr>
<tr>
<td>Subordinated liabilities</td>
<td>21,153</td>
</tr>
<tr>
<td>Repurchase agreements and other similar secured borrowing</td>
<td>124,479</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>31,530</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,291,948</strong></td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity excluding non-controlling interests</td>
<td>59,567</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>6,391</td>
</tr>
</tbody>
</table>

\(^{11}\) Refer to the 2014 Barclays PLC annual report for additional detail and disclosures.
<table>
<thead>
<tr>
<th>Barclays</th>
<th>31 Dec 14 in £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shareholders’ equity</td>
<td>65,958</td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td>1,357,906</td>
</tr>
<tr>
<td>Estimated PRA leverage ratio</td>
<td>3.0% (^{12})</td>
</tr>
<tr>
<td>BCBS 270 leverage ratio</td>
<td>3.7%</td>
</tr>
<tr>
<td>Estimated fully loaded CRD IV CET1 ratio</td>
<td>10.3%</td>
</tr>
<tr>
<td>Total assets to shareholders’ equity</td>
<td>20.5x</td>
</tr>
<tr>
<td>Net asset value per ordinary share</td>
<td>335p</td>
</tr>
<tr>
<td>Number of ordinary shares of BPLC (in millions)</td>
<td>16,498</td>
</tr>
<tr>
<td>Year-end United States Dollar exchange rate</td>
<td>1.56</td>
</tr>
<tr>
<td>Year-end Euro exchange rate</td>
<td>1.28</td>
</tr>
<tr>
<td>Year-end Rand exchange rate</td>
<td>18.03</td>
</tr>
</tbody>
</table>

### 3.4.2 Material Operating Entities

#### 3.4.2.1. BCI

BCI’s balance sheet as of 31 December 2014 was comprised of $248.0bn in total assets of which $179.4bn (72.3%) were collateralized agreements which consist of securities purchased under agreements to resell, securities borrowed and securities received as collateral. Additionally, $38.3bn (15.4%) of BCI’s total assets were comprised of financial instruments owned at fair value. Approximately 99% of these financial instruments owned were classified as level 1 (quoted market prices in active markets) or level 2 (internal models with significant observable market parameters) assets as per financial accounting standards ASC 820, and predominantly comprised government and agency securities. The remaining $30.3bn (12.3%) of BCI’s assets comprised cash and cash equivalents segregated for regulatory purposes and receivables from customers, broker-dealers and clearing organizations.

BCI’s total liabilities as of 31 December 2014 were $240.2bn, of which $180.6bn (75.2%) were collateralized financings which consist of securities sold under agreements to repurchase, securities loaned and obligation to return securities received as collateral. Additionally, $19.6bn (8.1%) of BCI’s liabilities were financial instruments sold, but not yet purchased, at fair value. One hundred percent of these financial instruments sold were classified as level 1 (quoted market prices in active markets) or level 2 (internal models with significant observable market parameters) as per financial accounting standards ASC 820, and predominantly comprised government securities. The remaining $40.0bn (16.7%) of BCI’s liabilities primarily comprised payables to customers, brokers, dealers and clearing organizations, and borrowings (long and short-term) from BBPLC.

BCI’s capital base as of 31 December 2014 was comprised of $7.9bn of equity capital and $2.5bn of subordinated debt. BCI is subject to regulatory capital requirements\(^{13}\) and maintains capital well in excess of its regulatory minimum, in terms of both tentative net capital (TNC) and net capital (NC), both of which are available to absorb losses under going concern and gone concern events. BCI’s capital consists of common equity and subordinated debt.

\(^{12}\) In 2013, the adjusted gross leverage metric was superseded by the estimated PRA leverage ratio as the primary leverage measure used by management.

\(^{13}\) As a registered Broker-dealer and FCM, BCI’s regulatory capital minimums are subject to Rule 15c3-1 of the Securities and Exchange Act and CFTC Regulation 1.17.
3.4.2.2. NYBR

As disclosed in NYBR’s 31 December 2014 Call Report, NYBR’s total assets were $36.5bn. Additionally, $21.1bn (57.8%) of NYBR’s assets were made up of loans and advances to non-related parties and $11.5bn (31.5%) of its assets were cash and balances due from depository institutions, primarily cash placed on deposit with the FRB. The remaining $3.9bn (10.8%) of NYBR’s assets were primarily comprised of loans and advances, securities purchased under agreements to resell, and other trading assets.

As disclosed in NYBR’s 31 December 2014 Call Report, NYBR’s total liabilities were $36.5bn, of which $5.3bn (14.5%) was a net payable due to related institutions. $29.8bn ($81.6%) were deposits from non-related parties. The remaining $1.4bn (3.9%) of NYBR’s liabilities were primarily comprised of other liabilities to non-related parties.

As a branch of BBPLC, NYBR remits or receives any profit and loss on a monthly basis to BBPLC. NYBR does not hold standalone capital and is not subject to standalone regulatory capital minimums.

3.4.3 Material Servicing Entities

Servicing entities do not generate revenue from outside the Group and are not risk taking entities within the Group so their balance sheets are much simpler than an operating entity.

BSC, BCSI, BCserL and BCserL Singapore, BTCI, BSS assets are primarily comprised of receivable balances due from Barclays’ affiliates for services provided. The liabilities are predominantly payables to third party service providers for infrastructure services provided in the normal course of business.

LIHA’s balance sheet is primarily assets made up of leasehold and freeholds on properties for Barclays’ US locations. BCI, NYBR, BSC and BCSI operate from these US locations.

Table 3.4.3(i) below shows the consolidated figures for the Material Servicing Entities as of 31 December 2014.

<table>
<thead>
<tr>
<th>Summary financials</th>
<th>BSC ($m) US GAAP</th>
<th>BCSI ($m) US GAAP</th>
<th>BCserL (£m) IFRS</th>
<th>BCserL (Singapore) $m</th>
<th>BSS (£m) IFRS</th>
<th>BTCI (£m) IFRS</th>
<th>LIHA ($m) US GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>636</td>
<td>185</td>
<td>2,693</td>
<td>552</td>
<td>93</td>
<td>83</td>
<td>463</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>575</td>
<td>149</td>
<td>2,024</td>
<td>111</td>
<td>23</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Capital</td>
<td>61</td>
<td>36</td>
<td>669</td>
<td>442</td>
<td>70</td>
<td>54</td>
<td>433</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,338</td>
<td>383</td>
<td>2,951</td>
<td>662</td>
<td>136</td>
<td>123</td>
<td>175</td>
</tr>
</tbody>
</table>

14 Regulatory reporting requirements applicable to the Report of Assets and Liabilities of US Branches and Agencies of Foreign Banks conform to generally accepted accounting principles in the US (US GAAP).
3.5 Barclays’ Capital and Liquidity Management and Funding Sources

Barclays manages capital and liquidity through a centralized management structure in the Treasury function. The centralized management team has responsibility for the overall capital and liquidity management across all business lines and Material Entities. This includes Barclays-wide reporting on capital metrics and liquidity, monitoring capital and liquidity risk control frameworks, and establishing appropriate policies and processes.

3.5.1 Capital Management

Barclays is committed to maintaining strong capital levels consistent with regulators’ expectations. Barclays’ capital management objectives are to maintain sufficient capital resources and ensure that Barclays is well capitalized relative to the minimum regulatory capital requirements set by the PRA in the UK and the FRB in the US. These objectives ensure that locally regulated subsidiaries can meet their minimum regulatory capital requirements to support Barclays’ risk appetite, economic capital requirements and credit rating.

Barclays monitors its capital management plan through a Capital Management Framework, which includes policies and practices that are approved by the Barclays Capital Committee, implemented consistently and aimed at delivering on the objectives. Barclays Treasury Committee and the BPLC Board approve Barclays’ stress plan and capital plan. The impact of regulatory changes are therefore assessed and monitored by Barclays Treasury and Barclays Risk and that impact is also factored into the capital planning process, which ensures that Barclays always maintains adequate capital to meet its minimum regulatory capital requirements. Barclays’ capital requirements are actively managed on a centralized basis and also at a local entity level, taking into account all the regulatory, economic and commercial environments in which Barclays operates.

CRD IV had to be implemented within the EU with effect from 1 January 2014. The rules are supplemented by Regulatory Technical Standards and, in the UK, the PRA’s rulebook, which includes rules providing transitional arrangements from the previous rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications which are still to be issued by the EBA and adopted by the European Commission and implemented by the PRA. All capital, RWA and leverage calculations reflect Barclays’ interpretation of the current rules.

Barclays’ current regulatory target is to meet a fully loaded CET1 ratio of 9% by 2019, plus a Pillar 2A add on. The 9% comprises the required 4.5% minimum CET1 ratio and, phased in from 2016 a Combined Buffer Requirement made up of a Capital Conservation Buffer (CCB) of 2.5% and an expected Globally Systemically Important Institution (G-SII) buffer of 2%. Under current PRA guidance, the Pillar 2A add-on will need to be met with 56% CET1 from 2015, which would equate to approximately 1.6% of RWAs. The Pillar 2A add-on would be expected to vary over time according to the PRA’s individual capital guidance. Barclays’ Core Tier 1 capital ratio for Basel II was at 13.2% as of December 31, 2014. This equates to a 9.3% fully loaded pro forma Basel III core ratio.15 Table 3.5.1(i) and 3.5.1(ii) provide additional capital information.16

<table>
<thead>
<tr>
<th>Key Capital Ratios</th>
<th>31 Dec 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Tier 1</td>
<td>13.2%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>15.7%</td>
</tr>
<tr>
<td>Total Capital</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

15 Ratios provided are based on UK PRA Basel-based rules.
16 Figures contained in Table 3.5.1(i) and Table 3.5.1.4(ii) are based on CRD III rules.
Table 3.5.1(ii) – Barclays’ capital resources summary

<table>
<thead>
<tr>
<th>Capital Resources</th>
<th>31 Dec 14 in £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Tier 1</td>
<td>46,784</td>
</tr>
<tr>
<td>Total Tier 1 Capital</td>
<td>55,820</td>
</tr>
<tr>
<td>Total Regulatory Capital</td>
<td>70,670</td>
</tr>
</tbody>
</table>

One of the main objectives of managing risk is to ensure that Barclays achieves an adequate balance between capital requirements and resources. Capital management is integral to Barclays’ approach to financial stability and sustainability management, and is therefore embedded in the way Barclays’ businesses and Material Entities operate and in the way Barclays manages risk.

Barclays adopts a forward-looking, risk based approach to capital risk management. BBPLC is the primary funding source for its Material Entities and subsidiaries. Regulated Material Entities are, at a minimum, allocated adequate capital to meet their current and forecast regulatory and business requirements. Each regulated Material Entity retains its own capital resources to meet its regulatory minimum capital requirements, which are monitored and controlled by the BPLC Board and Barclays Treasury. Barclays currently maintains a buffer over its minimum regulatory capital requirements. Treasury Capital and Leverage Management personnel are assigned to each regulated Material Entity to review and challenge its forecast capital positions and assess its compliance with Treasury Capital and Leverage Management policies.

3.5.2 Liquidity Management

The efficient management of liquidity is essential to retaining the confidence of the financial markets and ensuring that Barclays’ business is sustainable. The main objectives in the management of liquidity are to maintain a contingency funding plan that is comprehensive and to maintain liquidity resources that are appropriate to meet the liquidity risk framework. Barclays operates a centralized governance control process that covers all of Barclays’ liquidity risk management activities. The Barclays Treasurer is responsible for developing and maintaining Barclays’ Liquidity Framework, which is sanctioned by the Board Risk Committee (BRC).

Barclays has a comprehensive Liquidity Framework for managing its liquidity risk. The Liquidity Framework is designed to ensure that Barclays maintains sufficient financial resources of appropriate quality for Barclays’ funding profile. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

The Liquidity Framework is designed to meet the following objectives:

- Maintain liquidity resources that are sufficient in amount, quality and funding profile to meet the liquidity risk framework as expressed by the BPLC Board;
- Maintain market confidence in Barclays’ name;
- Satisfy requirements set by regulatory authorities;
- Set limits to control liquidity risk within and across lines of business and legal entities;
- Accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- Set EWIs to identify immediately the emergence of increased liquidity risk or vulnerabilities, including events that would impair access to liquidity resources;
- Project fully, and over an appropriate set of time horizons, cash flows arising from assets, liabilities and off-balance sheet items; and
Maintain a CFP that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Barclays has established a firm-wide LRA, which is the level of liquidity risk Barclays chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. It is measured with reference to anticipated stressed net contractual, behavioral and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool. Barclays’ liquidity pool was $149bn as of 31 December 2014. Barclays’ liquidity pool is well diversified across major currencies. Barclays monitors LRA stress scenarios for major currencies.

Barclays manages the liquidity pool on a centralized basis. The liquidity pool is held unencumbered against contractual and contingent stress outflows in the LRA stress tests. The liquidity pool comprises cash at central banks, government bonds and other highly liquid securities and represents those resources immediately available to meet outflows in a stress scenario. The BCI liquidity pool is held to meet contractual and contingent stress outflows and regulatory requirements. To the extent that the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of Barclays.

Tables 3.5.2(i) provides additional details of Barclays' liquidity pool by composition of assets.

**Table 3.5.2(i) – Composition of Barclays’ liquidity pool**

<table>
<thead>
<tr>
<th>Composition</th>
<th>Dec 31 2014 in Ebn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits with central banks</td>
<td>37</td>
</tr>
<tr>
<td>Total government bonds</td>
<td>85</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
</tr>
</tbody>
</table>

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. Barclays’ overall funding strategy is to develop a diversified funding base (both geographically and by depositor type) and to maintain access to a variety of alternative funding sources in order to provide protection against unexpected fluctuations while minimizing the cost of funding.

Within these criteria, Barclays aims to align the sources and uses of funding. As such, retail and commercial customer loans and advances are largely funded by customer deposits. Barclays' loan to deposit ratio as of 31 December 2014 was 100% (2013: 101%). Incremental funding requirements for these businesses are met using asset backed securities and covered bonds secured primarily by customer loans and advances, such as residential mortgages and credit card receivables.

Trading portfolio assets and reverse repurchase agreements are largely funded in the wholesale markets by repurchase agreements and trading portfolio liabilities, while derivative assets are largely matched by liabilities under derivatives transactions.

### 3.5.3 US Material Entity Funding Sources

- **BCI funding**: BCI serves as the market access point for Barclays-wide USD secured financing. The BCI balance sheet is funded primarily on a secured basis, via the repo market. Secured financing is performed by the Prime Financing business, which has both a fixed income repo desk and an equity financing desk within BCI. BCI holds liquidity in the form of a BCI-domiciled liquidity buffer in excess of its minimum requirement.

- **NYBR funding**: Within Barclays, NYBR serves to consolidate USD funding. NYBR has access to the discount window at the FRBNY and deposits the USD liquidity pool at the FRBNY. NYBR’s balance sheet is funded using external unsecured financing and funding from BBPLC. Barclays acquires unsecured funding primarily through BBPLC, which is the external interface to the wholesale unsecured funding markets.
• BSC, BCSI, BCserL, BCserL Singapore, BTCI, BSS, LIHA funding: Barclays manages its capital resources and requirements on a centralized and legal entity basis, across regulated and non-regulated entities. The Material Servicing Entities retain adequate capital for working capital needs and to support capital expenditure as required. Excess capital is returned to the Group in the form of dividends or capital repatriations. The Group and Americas Finance and Treasury functions collectively manage the appropriate capital requirements of the entities. BSC, BCSI, BCserL and BCserL Singapore, BSS, BTCI and LIHA are not individually regulated and, therefore, are not required to maintain any regulatory capital or to manage prescribed regulatory capital ratios on an ongoing basis. In the event that timing differences occur in managing their working capital, each of the Material Servicing Entities have access to backup funding facilities provided by BBPLC.

3.6 Interconnectedness

3.6.1 Financial Interconnectedness of Material Entities

There is limited financial interconnectedness or dependency between the Material Entities analyzed in the 2015 Plan. BCI and NYBR have little to no financial interconnectivity which is appropriate due to Regulation W concerns and the separateness of their businesses. BCI, NYBR and the Material Servicing Entities do not make loans to each other or act as funding sources for each other, other than as described in 3.5.3 above.

3.6.2 Recharges and Operational Interconnectedness

The Material Servicing Entities provide support services to the Material Operating Entities. Specific services provided are documented using Intra Group Agreements (IGAs) which act as service level agreements between affiliates. Service fees are charged and paid through intercompany recharges managed by Finance. Working capital for the Material Servicing Entities is provided through the recharges received from affiliates. In some cases, BCI and NYBR provide services to each other or to affiliates. These services are also documented in IGAs and paid for through recharges. IGAs include resolution-friendly language that ensures services will continue to be provided to affiliates that may be in stress or become subject to resolution proceedings. Local contract and insolvency law are carefully reviewed and incorporated into the IGAs to ensure the IGAs are legally binding and enforceable.

3.7 Derivative and Hedging Activities

Barclays enters into derivative contracts to satisfy the needs of its clients, for trading purposes and to manage Barclays’ exposure to market and credit risks resulting from its trading and market making activities. As part of its Risk Management policies, Barclays manages risks on an aggregate basis; however, entity level controls exist to ensure that exposures of each individual entity are managed appropriately. Barclays uses industry standard derivative contracts whenever appropriate.

Derivatives are used to hedge interest rate, exchange rate, commodity, credit and equity exposures, as well as exposures to certain indices, such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, Barclays applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

BCI, a US registered broker-dealer and FCM, engages in execution and clearing of exchange traded derivatives primarily on US exchanges and with US registered Derivatives Clearing Organizations (DCOs). BCI provides execution and clearing services, on behalf of clients, as well as Barclays’ own trading activity in BCI and other Barclays affiliates. Exchange traded derivatives are marked to market daily and BCI places collateral with the clearinghouses in support of this activity. BCI is a clearing member of derivatives clearing organizations, clearing eligible OTC derivatives products in the US.
Under Title VII of the Dodd-Frank Act, any swap or security-based swap that has been identified by the CFTC or SEC as being subject to mandatory central clearing must be centrally cleared through a regulated clearinghouse. Certain OTC derivative transactions that are subject to mandatory central clearing should also be executed on a “Swap Execution Facility (SEF)” or “Designated Contract Market (DCM)”. Phase in of mandatory central clearing of swaps began on 11 March 2013. The participants in these markets are required to register with the CFTC as “swap dealers” or “major swap participants” and/or with the SEC as “security-based swap dealers” or “major security-based swap participants”, dependent on where they fall in relation to designated thresholds, and are subject to CFTC and SEC regulation and oversight.

Barclays’ OTC derivatives activities are largely booked in either BBPLC or Barclays Capital Securities Limited, both of which are UK domiciled entities. Barclays has registered BBPLC as a swap dealer with the CFTC and will register BBPLC as a security-based swap dealer with the SEC in compliance with Sections 731 and 764(a) of the Dodd-Frank Act. The swaps and security-based swaps activities of BBPLC and Barclays Capital Securities Limited range from standardized transactions in derivative markets to trades where the specific terms are tailored to the requirements of Barclays’ customers. In many cases, industry standard documentation (e.g., International Swaps and Derivatives Association (ISDA)) is used, most commonly in the form of a master agreement, with individual transaction confirmations.

### 3.8 Payment, Clearing and Settlement Systems for US Operations

#### 3.8.1 Overview

The Final Rule requires a Public Section to include a list of memberships in material payment, clearing and settlement systems. Title VIII of the Dodd-Frank Act, P.L. 111–203, the Payment, Clearing, and Settlement Supervision Act of 2010, introduces the term “financial market utility” (FMU or utility) for those multilateral systems that transfer, clear, or settle payments, securities, or other financial transactions among financial institutions (FI) or between an FMU and a financial institution. FMUs transfer funds and settle accounts with other financial institutions to facilitate normal day-to-day transactions occurring in the U.S. economy. Those transfers include payroll and mortgage payments, foreign currency exchanges, purchases of U.S. treasury bonds and corporate securities, and derivatives trades. Further, financial institutions engage in commercial paper and securities repurchase agreements (repo) markets that contribute to liquidity in the U.S. economy. In the United States, some of the key payment, clearing, and settlement (PCS) systems are operated by the Board, and other systems are operated by private sector organizations.

With Title VIII of the Dodd-Frank Act, which was enacted on 21 July 2010, Congress added a new regulatory framework for the FMUs designated by the Financial Stability Oversight Council (FSOC) as systemically important, and on 18 July 2012, FSOC voted unanimously to designate eight systemically important FMUs (SIFMUs). Title VIII expands the FRB’s role, in coordination with those of other prudential regulators, in the supervision, examination and rule enforcement with respect to SIFMUs. Additionally, SIFMUs may borrow from the discount window of FRB in certain unusual and exigent circumstances.

Related to payment, clearing and settlement activities, Title VII of the Dodd-Frank Act imposes requirements that will significantly affect the business of clearinghouses in the OTC derivatives market. By requiring clearing of certain swap transactions through CCPs, Title VII is expected to increase the volume of transactions processed by clearing systems subject to Title VIII.

Barclays depends on FMUs to execute financial transactions and to provide financial services to its clients. These arrangements allow for greater risk management, operational efficiencies and risk reduction in the trading, clearing and settlement of financial instruments worldwide. In accordance with the Final Rule, FMUs where BCI or NYBR hold memberships are listed in the Table 3.8.1(i) below.
Table 3.8.1(i) – BCI & NYBR FMU memberships

<table>
<thead>
<tr>
<th>Type of Service Provided</th>
<th>FMU</th>
<th>US Material Entity Holding Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearing and Settlement</td>
<td>Depository Trust &amp; Clearing Corporation (DTCC):</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>- National Securities Clearing Corporation (NSCC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Fixed Income Clearing Corporation (FICC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Options Clearing Corporation (OCC)</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>Chicago Mercantile Exchange Group (CME) Clearing</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>Intercontinental Exchange (ICE):</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>- ICE Clear Europe Limited (ICE Clear Europe)</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>- ICE Clear U.S., Inc. (ICE Clear US)</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>- ICE Clear Credit LLC (ICE Clear Credit)</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>LCH.Clearnet Ltd</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>LCH.Clearnet LLC</td>
<td></td>
</tr>
<tr>
<td>Custodians</td>
<td>DTCC - Depository Trust Company (DTC)</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>Euroclear</td>
<td>BCI</td>
</tr>
<tr>
<td></td>
<td>Clearstream</td>
<td>BCI</td>
</tr>
<tr>
<td>Payments</td>
<td>Fedwire Funds Service (Fedwire)</td>
<td>NYBR</td>
</tr>
<tr>
<td></td>
<td>Clearing House Interbank Payments System (CHIPS)</td>
<td></td>
</tr>
</tbody>
</table>

3.9 Material Supervisory Authorities

Material supervisory authorities for Barclays in the UK and the US are the BoE, PRA, FCA, FRB, FDIC, SEC, CFTC and the NYSDFS.

3.10 Principal officers

The tables below provide a list of principal officers for BPLC.

Table 3.10(i) – Barclays Board of Directors

<table>
<thead>
<tr>
<th>Executive</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>John McFarlane</td>
<td>Barclays Chairman</td>
</tr>
<tr>
<td>Antony Jenkins</td>
<td>Group Chief Executive</td>
</tr>
<tr>
<td>Mike Ashley</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Tim Breedon</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Crawford Gillies</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Reuben Jeffery III</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Wendy Lucas-Bull</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Tushar Morzaria</td>
<td>Group Finance Director</td>
</tr>
<tr>
<td>Dambisa Moyo</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Frits van Paasschen</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Sir Michael Rake</td>
<td>Deputy Chairman and Senior Independent Director</td>
</tr>
<tr>
<td>Diane de Saint Victor</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Sir John Sunderland</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Steve Thieke</td>
<td>Non – Executive Director</td>
</tr>
<tr>
<td>Lawrence Dickinson</td>
<td>Company Secretary</td>
</tr>
</tbody>
</table>
Table 3.10(ii) – Barclays Executive Committee

<table>
<thead>
<tr>
<th>Executive</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antony Jenkins</td>
<td>Group Chief Executive Officer</td>
</tr>
<tr>
<td>Tushar Morzaria</td>
<td>Group Finance Director</td>
</tr>
<tr>
<td>Robert Le Blanc</td>
<td>Chief Risk Officer</td>
</tr>
<tr>
<td>Bob Hoyt</td>
<td>Group General Counsel</td>
</tr>
<tr>
<td>Ashok Vaswani</td>
<td>Chief Executive, Personal and Corporate Banking</td>
</tr>
<tr>
<td>Maria Ramos</td>
<td>Chief Executive, Barclays Africa Group</td>
</tr>
<tr>
<td>Mike Roemer</td>
<td>Group Head of Compliance</td>
</tr>
<tr>
<td>Michael Harte</td>
<td>Group Chief Operations and Technology Officer</td>
</tr>
<tr>
<td>Tom King</td>
<td>Chief Executive, Investment Bank</td>
</tr>
<tr>
<td>Irene McDermott Brown</td>
<td>Group Human Resources Director</td>
</tr>
<tr>
<td>Jonathan Moulds</td>
<td>Group Chief Operating Officer</td>
</tr>
</tbody>
</table>

3.11 Corporate Governance Structure and Processes Related to Resolution Planning

3.11.1 Overview

Barclays has a well-embedded governance structure, subject to continual review and comprising three primary tiers:

- Board\(^{17}\) level oversight;
- Group Executive Committee oversight; and
- Business level executive management monitoring and oversight.

Each of the three tiers has the following responsibilities:

- **Board level oversight:** The Board’s principal duty is to promote the long-term success of Barclays by creating and delivering sustainable shareholder value. It does this by setting strategy and overseeing its implementation by management. While the ultimate focus is long-term growth, the Board seeks to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In setting and monitoring the execution of strategy, the Board aims to ensure that Barclays maintains an effective system of internal control and an effective risk management and oversight process across Barclays, delivering growth in a controlled and sustainable way.

- **Group Executive Committee oversight:** Oversight for the day-to-day management of the business activities of Barclays is delegated by the BPLC Board to the Barclays Chief Executive. In turn, the Barclays Chief Executive delegates certain of his powers and authorities, through a series of personal delegations to the Group Executive Committee to assist him in the execution of his responsibilities.

- **Business level executive management monitoring and oversight:** Business level executive management performs activities in accordance with defined responsibilities. Responsibilities may include oversight of

\(^{17}\) Board is defined as the Barclays PLC Board of Directors.
regulatory matters and reviewing the status of actions in response to outstanding external regulatory and audit findings.

### 3.11.2 Resolution Plan Governance

The 2015 Plan was approved by the Barclays Board on 25 June 2015 after going through a rigorous governance process. Barclays developed a governance structure that leverages Barclays’ existing governance framework for the purpose of resolution planning.

Development of the US resolution plan involves multiple functions within the US operations and Group, including but not limited to, Front Office, Operations, Treasury, Risk, Finance, US Legal, UK Legal, Human Resources, Compliance, Corporate Affairs, Global Sourcing and Supplier Management, Corporate Real Estate Solutions and Technology among others. The RRP Americas team consolidates all materials and develops the plan throughout numerous editing and vetting cycles involving over 50,000 man hours and involving 300-500 employees. Content in the US resolution plan is attested to by the Accountable Executives of each relevant business unit that contributed the input.

The RRP Americas Steering Committee is comprised of senior executives from all aspects of the businesses and is chaired by the CAO Americas. The RRP Americas Steering Committee is the first level of approval for the US resolution plan. Following the RRP Americas Steering Committee Approval the plan is subsequently approved by the UK RRP Steering Committee; the NY Branch Committee, the BCI Board of Directors, the Group Executive Committee (ExCo) and the Barclays Board (BPLC/BBPLC combined Board). Governance hierarchy is as follows:

- **Group Level**
  - The Barclays Board of Directors;
  - The Group Executive Committee; and
  - The Group RRP Steering Committee.

- **US Level**
  - The BCI Board of Directors;
  - The NY Branch Committee; and
  - RRP Americas Steering Committee.

### 3.12 Material Management Information Systems

Barclays is committed to investing in management information systems (MIS) and reporting capabilities to ensure a robust catalog of management information around risk, finance, funding and liquidity, regulatory and operations is maintained. MIS include business aligned technology and enterprise-wide technology solutions to ensure effective and efficient management, promote standardized processes and procedures across the organization and deliver quality services.

A broad range of critical MIS is utilized by Barclays to provide flexible client and business intelligence reporting, enabling the firm to compete at the highest level in an evolving business and regulatory climate. Key MIS generate multiple reports to support the business and senior management in comprehensively monitoring Barclays’ business. Management’s use of MIS in strategic decision making effectively mitigates potential risks inherent in its operations and ensures the soundness of Barclays’ business.
Barclays’ resolution plan describes the scope, content and frequency of key financial, operational and risk management internal reports utilized in BAU for Barclays’ Material Entities and Core Business Lines. Upon commencement of insolvency or resolution proceedings, pertinent management reports and access to information systems will be made available to regulatory authorities and consultants with bankruptcy expertise.

Barclays’ Compliance, Finance, Treasury, Risk, Operations, Front Office, Technology and Legal functions utilize key MIS and applications as part of BAU operations for risk management, accounting, financial and regulatory reporting for its Material Entities. Applications are provided through three key sources:

- In-house Applications: Applications developed (i.e., software code written) within Barclays. These are referred to as Barclays’ internal applications.
- Standard Third-Party Applications: Applications licensed from a third party that have not been customized to meet Barclays’ requirements beyond basic configurations required for installation and integration. Such applications are licensed to Barclays’ entities and are subject to contractual terms with the licensor.
- Customized Third-Party Applications: Third-party applications that have been customized to meet Barclays’ requirements.

Barclays operates a Business Continuity Management (BCM) program to facilitate business recovery planning and validation, and to execute expeditious and effective crisis response. BCM should protect customers, shareholders and businesses from experiencing any major disruption and allows for recovery of data and information, if needed, in a planned and controlled manner. A data repository has been developed to maintain critical information on all technology services used within the bank.

The 2015 Plan provides detailed information regarding capabilities of Barclays’ MIS to collect, maintain and report information in a timely manner for its Material Entities. Policies and minimum standards apply for MIS required for business operations in order to ensure consistency in planning and implementation in a managed and secure manner.

Key MIS provides:

- **Risk:**
  - **Market risk:** Capital and risks arising from financial market events, including the production of value-at-risk and other statistical indicators of risk;
  - **Counterparty risk trading:** The accounting and hedging of derivative credit risk, including the production of credit valuation adjustment and specialized risk capabilities for other product segments; and
  - **Credit risk:** Capital and risks arising from creditworthiness of clients and trading partners, as well as legal agreement support, including trade capture and processing, eTrading, risk aggregation, marking, pricing and valuation services, as well as research-driven and client-facing libraries, services, and applications to support the credit business globally;

- **Finance:** Support of product control, financial control, and regulatory reporting, as well as shared data information, including the production of profit and loss statements and the general ledger;

- **Treasury and liquidity:** Liquidity, funding, and capitalizing and allocation processes, including internal transfer pricing, early warning indicators, and a wide range of funding reporting;

- **Procurement:** Global procurement information, including contracts and vendors;

- **Equity and fixed income, currencies and commodities:** Risk platforms that produce consistent and aggregated snapshots of valuations, risk and profit and loss at regular intervals throughout the day and at
end-of-day, including valuation and pricing services, trade booking, straight-through-processing, lifecycle management, corporate action processing and downstream settlements for all cash and derivative products;

- **Compliance:** Risks arising from compliance with regulations around the world, including anti-money laundering, sanctions, surveillance and case management tools; and

- **Legal:** Processes include client on-boarding, document negotiation and document management.

Barclays is always looking to identify opportunities to enhance its MIS portfolio to provide greater transparency, improved control and increased accuracy of information in a cost-efficient manner for management decision making for analysis by external stakeholders and for regulatory review.

### 3.13 Description of Resolution Strategy

#### 3.13.1 Preferred Resolution Strategy in the UK

As a UK G-SIFI, Barclays is a proactive participant in the development of resolution and recovery efforts in the UK, the EU and the US, and Barclays is committed to implementing the Key Attributes of Effective Resolution Regimes for Financial Institutions and relevant consultative papers and annexes as set forth by the FSB. A top-tier holding company resolution, utilizing a bail-in by way of writing down or converting that company’s creditors’ claims into equity thereby making them new owners of the holding company (UK Bail-In Strategy) is the preferred resolution strategy for Barclays. In a UK Bail-In Strategy, subsidiaries remain operational while the top-tier holding company is recapitalized. Consistent with the requirements for resolution strategies under the Final Rule, a UK Bail-In Strategy is not reliant on any government funding but is dependent on the parent having issued sufficient loss absorbing capacity to effect bail-in and recapitalize the Group should the need arise. Barclays is in frequent communication with the BoE, HMT, the PRA, the EBA, the FRB and the FDIC regarding developing requirements for recovery and resolution planning and its resolution strategy generally.

As described in Section 2.1.1 above, the BoE has various tools for resolving UK banking groups such as Barclays. The BoE’s preferred resolution strategy for Barclays Group is a the UK Bail-In Strategy described in the preceding paragraph (the Preferred Resolution Strategy) which will involve the write down, or conversion to equity, of certain liabilities, in order to recapitalize the Group and allow for the continued provision of services and operations throughout an event of Material Financial Distress or resolution. Bail-in would occur at the top-tier parent level (BPLC), with external creditors of BPLC exposed to losses in order of the creditor hierarchy. Where losses arise at the subsidiary level, these losses could be passed up to the parent through write-down or conversion into equity of the intra-group loss absorbing capacity, such as the parent’s investments in, or subordinated loans to, the subsidiary. Bail-in at the parent level could then be used to absorb losses realized at the subsidiary level, recapitalize the Group and thus ensure that, individual entities, including the Material Entities identified above, will continue to remain operational and avoid entry into resolution. Barclays and the BoE are working together to operationalize the Preferred Resolution Strategy and assess Barclays’ resolvability with respect to this strategy. By allowing for the continuity of services and operations of the Group, the Preferred Resolution Strategy should ensure a rapid and orderly resolution that can be accomplished within a reasonable period of time in a manner that substantially mitigates the risk that the failure of Barclays could have serious adverse effects on financial stability in the US.

#### 3.13.2 Barclays’ 2015 US Resolution Strategy

It should be noted that the 2015 Plan is not binding on a bankruptcy court or other resolution authority and the proposed failure scenario and associated assumptions are hypothetical and do not necessarily reflect an event or events to which the firm is or may become subject. In Barclays’ view, with the increased capital and liquidity position of the firm, the highly liquid high quality assets that comprise BC1’s balance sheet and the focused governance and management of the firm’s liquidity position and risk management practices, Barclays considers it highly unlikely that
BCI or any of its US entities would fail due to an idiosyncratic firm event and Barclays believes that in the event of a market wide stress event, BCI would most likely be a “flight to safety” option for customers and clients. Therefore, the analysis provided in the 2015 Plan with respect to the failure of the US entities and operations is hypothetical only and is provided to satisfy the resolution plan requirements of the Agencies. Nonetheless, Barclays appreciates and supports the importance of resolution planning and is committed to fully analyzing and taking measures to ensure a rapid and orderly resolution of its US operations without the need for extraordinary government support should such an event occur. It has found the resolution planning process to be beneficial for the firm in that it has highlighted some potential impediments to an orderly resolution that have either been resolved or are being addressed.

In keeping with the Final Rule, the 2015 Plan focuses on the subsidiaries, branches and Core Business Lines that are domiciled in the US or conducted in whole or in material part in the US (collectively, the US operations). Interconnections and interdependencies among the US operations and BPLC or any foreign-based or US affiliates are also addressed.


Barclays’ 2015 US resolution strategy analyzes the rapid and orderly resolution of BCI in which Barclays’ primary US business is conducted and whose failure would potentially have the most impact on the US markets, and therefore could pose a threat to the financial stability of the US. Such resolution would be accomplished, if necessary, pursuant to a proceeding under SIPA. In a hypothetical scenario where BCI is failing while markets are stressed, due to the fact that the majority of BCI’s balance sheet is made up of repo and reverse repo comprised of high quality liquid assets (HQLA), primarily US Treasuries, combined with risk limits that ensure a diversity of counterparties, the unwinding and liquidation of the balance sheet could in Barclays’ view be done swiftly without systemic impact.

Government debt of the US is typically issued in the form of US Treasury securities. These securities—simply called Treasuries—are widely regarded to be among the safest investments because they lack significant default risk. Therefore, it is no surprise that investors turn to Treasuries during times of increased uncertainty as a safe haven for their investments. This happened during the 2008 financial crisis. In fact, the increase in the demand for Treasuries was sufficiently large so that prices actually rose with an increase in the supply of government securities. In the latter half of 2008, the Treasury auctioned a large amount of securities to cover the cost of the Emergency Economic Stabilization Act. After the Act was passed, holdings of marketable Treasuries continued to increase over the next year and a half, from $4.9 trillion in August 2008 to $7.4 trillion in February 2010.

Illustration 3.13.2.1(i) Figure 1 below shows the levels of short- and long-term Treasury securities outstanding from 2006 to 2009. Short-term Treasury securities, known as Treasury bills (T-bills), have maturity dates of less than a year. In August 2008, approximately $1.2 trillion in T-bills was outstanding. By November 2008, after the failure of Lehman Brothers, that number had almost doubled, to about $2 trillion in outstanding T-bills. Long-term Treasury securities, which include Treasury notes, Treasury bonds and Treasury Inflation Protected Securities (TIPS), have maturity dates of over a year. Before the onset of the current financial crisis, there was a slight upward trend in the volume of these securities. Through 2009, there was a significantly large upward surge in the amount of T-notes issued, while the level of TIPS and T-bonds remained relatively unchanged. In sum, financial markets witnessed a significant increase in the supply of Treasuries (the level of debt issued by the US government).

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Illustration 3.13.2.1(i) - Levels of US Treasuries 2006-2009

Levels of U.S. Treasuries Outstanding

The collapse of Lehman Brothers on 15 September 2008 signaled the beginning of a financial panic in the US and globally. Increased selling pressure by panic-stricken investors lowered prices and raised yields on corporate bonds, as shown in Illustration 3.13.2.1(ii) below. At the same time, investors increased their demand for safer assets, namely U.S. Treasuries, and this led to a further decline in the yields on U.S. Treasuries. Yields on short-term U.S. Treasury securities decreased sharply to near zero in November 2008 as shown in Figure 2. However, the movement in long-term Treasury yields was sluggish—hovering about 4 percent before falling to about 2 percent in December 2008. In part, this later decline was also prompted by the Federal Reserve’s measures to buy long-term Treasuries under its large-scale asset purchase programs.

Illustration 3.13.2.1(ii)– Selected Yields

Selected Yields

In summary, during the financial crisis, there was a significant expansion in the amount of Treasury security offerings while yields on Treasuries declined. Stated differently, the prices on Treasury securities increased in the face of a rapidly expanding supply of these securities. This anomalous behavior in the market for Treasuries can be explained by a significant increase in the demand for Treasuries—“the flight to safety” in the event of a financial crisis.
Illustration 3.13.2.1(iii) below shows the quarterly flow of funds data on the holdings of US Treasuries by various sectors of the economy. During the early 2000s prior to the crisis, the proportion of Treasury securities held by each sector of the economy was roughly unchanged. The largest shares of available Treasury securities had been held by the domestic financial sector and the foreign sector. Post-crisis, these two sectors saw the most dramatic increases in their respective shares of Treasury securities holdings. Interestingly, it seems that although the US was at the epicenter of the financial crisis, both foreign and domestic investors still sought the safety of US government debt instruments.

**Illustration 3.13.2.1(iii) Figure 3 Holders of US Debt**

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<th>Holders of U.S. Debt</th>
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<tr>
<td><img src="image" alt="Graph showing the quarterly flow of funds data on the holdings of US Treasuries by various sectors of the economy." /></td>
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</table>

*SOURCE: Haver*  *NOTE: Quarterly Data*

*Source: St. Louis Federal Reserve Bank*

Since the majority of BCI’s balance sheet consists of repo and reverse repo on HQLA, primarily US Treasuries, Barclays considers the likelihood of a failure of BCI remote. In addition, BCI conducts daily stress tests and sizes a dedicated liquidity pool that is held in BCI’s name in the US which can be monetized in the event of stress. For these reasons, Barclays believes that BCI’s positions should unwind with relative ease during a runway leading up to the SIPA liquidation proceeding. Upon appointment of the SIPC Trustee, the estate of BCI would be turned over for liquidation and the process of transferring the remaining prime brokerage accounts and customer accounts or returning customer property and reconciling customer claims and general creditor claims would take place. Unlike a number of other broker-dealers, Barclays utilizes BCI only as a clearing agent for OTC derivatives. BBPLC is Barclays' swap dealer and is usually the Barclays entity that is the counterparty to ISDA Master Agreements with third parties. Therefore, the complication associated with termination rights and cross-defaults that could be exercised by various counterparties under ISDA Master Agreements is in Barclays’ view significantly less than if BCI were counterparty to such agreements.

Barclays has provided the Agencies with a detailed analysis of how BCI would unwind its positions over a 30 day runway period leading up to a SIPA liquidation proceeding. On completion of the resolution process, the loss of BCI as a material entity in Barclays' global enterprise effectively would mean that Barclays' operations in the US would be significantly curtailed. The material US servicing entities would remain operational and able to support the SIPC Trustee or the remaining Barclays organization as required. Based on the December 2014 financial statements, the loss of the $248bn in assets on BCI’s balance sheet would reduce Barclays’ combined US operations from $398bn in assets to approximately $150bn in assets and Barclays would no longer have a US broker-dealer or significant presence in the capital markets. Barclays as an organization would continue to operate its global franchises in the UK, EU and other jurisdictions. NYBR would remain operational as the firm’s primary USD payment processor and to support the overall branch network.
Barclays’ 2015 US resolution strategy provides that NYBR remains outside of resolution proceedings. To demonstrate the strength of NYBR, the 2015 Plan analyzes how the branch would continue to operate under Barclays’ control subject to heightened supervision by the NYDFS without the need for the NYDFS to commence a liquidation proceeding for NYBR under the NYBL.

With respect to the resolution strategy for Material Servicing Entities, the 2015 Plan provides that the Material Servicing Entities would remain outside of insolvency proceedings and have sufficient working capital to continue to provide services that support critical services that support the Core Business Lines of BCI for as long as they are required. By ensuring that Material Servicing Entities would remain outside of insolvency proceedings, the 2015 Plan provides for continuity, transfer or orderly wind down of BCI throughout the resolution process and ensures a rapid and orderly resolution of Barclays US operations, should such a resolution be required. The 2015 Plan also provides a detailed analysis of the applicable resolution regimes for each of the Material Servicing Entities, which in the case of the US servicing entities is the US Bankruptcy Code, including the resolution regimes for the Material Servicing Entities located in the UK, Singapore and India.

In preparing the 2015 Plan, including the resolution strategy for each of the Material Entities, Barclays has actively sought to address the feedback received from the Agencies in August 2014 as advised in the August 5th press release issued by the Agencies, and has made demonstrable progress in ensuring its US operations would be able to be reorganized or liquidated under the US Bankruptcy Code within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of one or more of Barclays’ US subsidiaries, branches or agencies would have serious adverse effects on the financial stability of the US.

4 Conclusion

The financial industry is less vulnerable to shocks today than before 2008.19 Banks have added nearly $400 billion in fresh capital as a cushion against unexpected losses and financial shocks. Banks are also less reliant on short-term funding, which can disappear in a crisis and leave the market more vulnerable to panics. Barclays has continued to enhance its global resilience, reducing the likelihood of a bankruptcy or failure occurring in the future, and has made it a primary objective to further improve its global resolvability. Leveraging a sound, global RRP framework in the UK and US, Barclays continues to advance US-specific RRP efforts to ensure an orderly resolution that minimizes any threat to financial stability in the US.

Barclays has a global recovery planning process in place that includes a range of feasible options available to manage the viability of the Group during stressed conditions. Through the development of an effective 2015 Plan and implementation of broader initiatives, including embedding resolution planning into its corporate governance process, enhancement of a secured financing framework, enhancing capital, liquidity and leverage strength through a rights issue, further substantiation of BCI and NYBR liquidity pools and enhancement of daily stress testing, Barclays has continued to improve resolvability overall.

Barclays continues to demonstrate a strong commitment to working with global regulators and resolution authorities to strengthen global resolution and recovery planning identifies and remediates potential obstacles to resolution, and devote resources to develop a US resolution plan.