
Disclosure of unencumbered assets for annual reporting period ending 31.12.2014
J.P. Morgan entities within the United Kingdom.

30th June 2015

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Pillar III Asset Encumbrance Disclosure Report 2014

1. Introduction

Background to the requirement

Article 443 of Regulation (EU) No 575/2013 ('CRR' henceforward) identifies EBA guidelines on the disclosure of encumbered assets (EBA/GL/2014/03- published 27th June 2014) as the legal source of requirements for the publication of information on Asset Encumbrance by firms.

This disclosure document has been produced in conjunction with those guidelines as well as in conjunction with the PRA Supervisory Statement 11/14 (published 19th Dec 2014) and FCA notes on the disclosure of encumbered and unencumbered assets (published on the FCA website 18th Dec 2014 ¹)

This disclosure is the first annual disclosure on encumbrance of assets and publication is made with respect to data for the reporting period the year ending 31 December 2014, following the EBA guideline Title II, point 11:

"In accordance with Article 433 of the CRR, annual disclosure specified in these guidelines should be published in conjunction with the date of publication of the financial statements. This annual disclosure should be published no later than six months after the reference date of the financial statements."

Scope of Application

These disclosures are made at the highest consolidated level of J.P. Morgan entities within the U.K and include disclosure for

- **J.P. Morgan Capital Holdings Ltd ('JPMCHL')** which is regulated by the PRA and the FCA, the primary subsidiaries of which are J.P. Morgan Securities PLC., J.P. Morgan Europe Ltd., J.P. Morgan International Bank Ltd and J.P. Morgan Ltd.
- **Bear Stearns United Kingdom Holdings Ltd. ('BSUKHL')** which is regulated by the FCA and the primary subsidiary of which is J.P. Morgan Markets Ltd.
- **J.P. Morgan Mansart Management Ltd. ('Mansart')** which is regulated by the FCA and does not have a UK Parent entity
- **J.P. Morgan Asset Management International Ltd.** which is unregulated but contains the FCA regulated entity, J.P. Morgan Trustee and Administrative Services Ltd., and has therefore been included accordingly.

¹ <https://www.fca.org.uk/firms/markets/international-markets/eu/crd-iv/esas-guidelines/disclosure-of-encumbered-and-unencumbered-assets>

2. Disclosures on Asset Encumbrance

2.1 J.P. Morgan Capital Holdings Ltd

The data provided in the tables below was derived using median values of monthly data over the previous twelve months to the reporting reference date (31st December 2014) as per the PRA Supervisory statement 11/14.

Template A - Assets

		Carrying amount of encumbered assets \$m	Fair value of encumbered assets \$m	Carrying amount of unencumbered assets \$m	Fair value of unencumbered assets \$m
		010	040	060	090
010	Assets of the reporting institution	71,777		419,362	
030	Equity instruments	34,186	34,186	11,754	11,754
040	Debt securities	26,431	26,431	30,866	30,866
120	Other assets	-		354,297	

Template B - Collateral received

		Fair value of encumbered collateral received or own debt securities issued \$m	Fair value of collateral received or own debt securities issued available for encumbrance \$m
		010	040
130	Collateral received by the reporting institution	153,299	104,517
150	Equity instruments	23,256	7,393
160	Debt securities	130,043	97,124
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

Template C - Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent \$m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered \$m
		010	030
010	Carrying amount of selected financial liabilities	137,681	154,779

Template D - Information on importance of encumbrance

Asset encumbrance for JP Morgan Chase Holdings Ltd (JPMCHL) is almost wholly driven by the subsidiary JP Morgan Securities plc, whose key sources of encumbrance are repurchase agreements, trading liabilities as well as derivative activities. The \$354bn of unencumbered 'other assets' is primarily driven by reverse repo and stock borrowing receivables of \$165bn and derivative assets of \$100bn.

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03).

Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. The ratio of our encumbered assets and collateral over 2014 ranged from 28.8% to 31.12%, with the 31 December 2014 showing \$77.4bn of encumbered assets. Asset encumbrance is integral to JPMCHL's business and funding models which, over time, have continued to be relatively stable with types of encumbered assets remaining consistent. The 2014 level of encumbrance has been maintained going into 2015.

JPMCHL primarily adopts standard collateral agreements and collateralises at appropriate levels based on industry standard contractual agreements.

2.2 Bear Stearns United Kingdom Holdings Ltd.

The data provided in the tables below represents figures as at 31st December 2014 as per the FCA notes on the disclosure of encumbered and unencumbered assets².

Template A - Assets

		Carrying amount of encumbered assets \$m	Fair value of encumbered assets \$m	Carrying amount of unencumbered assets \$m	Fair value of unencumbered assets \$m
		010	040	060	090
010	Assets of the reporting institution	8		4,616	
030	Equity instruments	-	-	8	8
040	Debt securities	-	-	7	7
120	Other assets	-		4,341	

Template B - Collateral received

		Fair value of encumbered collateral received or own debt securities issued \$m	Fair value of collateral received or own debt securities issued available for encumbrance \$m
		010	040
130	Collateral received by the reporting institution	11	4,117
150	Equity instruments	-	3
160	Debt securities	11	4,114
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

Template C - Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent \$m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered \$m
		010	030
010	Carrying amount of selected financial liabilities	-	8

Template D - Information on importance of encumbrance

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03).

Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

BSUKHL is almost wholly made up of JP Morgan Markets Ltd and there is very little asset encumbrance within this entity. On balance sheet, cash collateral of \$8m has been encumbered as per the European Banking Authority guidelines to be reflected as an encumbered loan. The encumbered collateral of \$11m is an internal application to ensure three months operating expenses at 150% are provided for.

This level of encumbrance has been maintained and no further sources of encumbrance are expected going forward.

² FCA notes on the disclosure of encumbered and unencumbered assets (published on the FCA website 18th Dec 2014)

2.3 J.P. Morgan Mansart Management Ltd.

The data provided in the tables below represents figures as at 31st December 2014 as per the FCA notes on the disclosure of encumbered and unencumbered assets.

Template A - Assets

		Carrying amount of encumbered assets \$m	Fair value of encumbered assets \$m	Carrying amount of unencumbered assets \$m	Fair value of unencumbered assets \$m
		010	040	060	090
010	Assets of the reporting institution	-		18	
030	Equity instruments	-	-	-	-
040	Debt securities	-	-	-	-
120	Other assets	-		0	

Template B - Collateral received

		Fair value of encumbered collateral received or own debt securities issued \$m	Fair value of collateral received or own debt securities issued available for encumbrance \$m
		010	040
130	Collateral received by the reporting institution	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

Template C - Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent \$m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered \$m
		010	030
010	Carrying amount of selected financial liabilities	-	-

Template D - Information on importance of encumbrance

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03).

Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

This entity has no encumbrance to report.

2.4 J.P. Morgan Asset Management International Ltd.

The data provided in the tables below represents figures as at 31st December 2014 as per the FCA notes on the disclosure of encumbered and unencumbered assets.

Template A - Assets

		Carrying amount of encumbered assets \$m	Fair value of encumbered assets \$m	Carrying amount of unencumbered assets \$m	Fair value of unencumbered assets \$m
		010	040	060	090
010	Assets of the reporting institution	21		4,331	
030	Equity instruments	-	-	1,943	-
040	Debt securities	-	-	-	-
120	Other assets	21		1,814	

Template B - Collateral received

		Fair value of encumbered collateral received or own debt securities issued \$m	Fair value of collateral received or own debt securities issued available for encumbrance \$m
		010	040
130	Collateral received by the reporting institution	-	0
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

Template C - Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent \$m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered \$m
		010	030
010	Carrying amount of selected financial liabilities	7	21

Template D - Information on importance of encumbrance

The above is the disclosure of encumbered and unencumbered assets as at December 31st 2014 as per the European Banking Authority (EBA) guidelines (issued 27 June 2014) and FCA guidelines (issued 18 December 2014).

Asset encumbrance for JPMorgan Asset Management International Limited (JPMAMIL) is almost wholly driven by the subsidiary JPMorgan Asset Management Holdings (UK) Limited whose source of encumbrance is derivative activity. The use of asset encumbrance has been relatively stable over time with types of encumbered assets remaining consistent. All collateral has been placed with affiliated entities outside the JPMAMIL regulatory consolidation group. Approximately 10% of the “other assets” balance is not considered available for encumbrance.

Assets and collateral have been determined as encumbered consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03). Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

The JPMAMIL group primarily adopts standard collateral agreements and collateralises at appropriate levels based on industry standard contractual agreements. Transactions are not generally over-collateralised.

