

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
13. Taxation Risk		
<p>Tax Risk is the risk that the Group suffers losses associated with changes in tax law or in the interpretation of tax law. It also includes the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to reputational damage or a financial penalty for failure to comply with required tax procedures or other aspects of tax law.</p>	<p>The Group's strategy is to maximise returns for shareholders whilst complying with relevant tax laws, disclosure requirements and regulations under an appropriate risk control framework.</p>	<p>During 2010 the Group settled open issues in a number of jurisdictions, principally the UK and South Africa, including agreement of the UK bank payroll tax liability with HMRC.</p>
	<p>The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee. The tax charge is reviewed by the Board Audit Committee. Barclays has adopted the Code of Practice for Taxation of Banks (The Code) and has confirmed to HMRC that it will have regard to the spirit of the law and the intent of Parliament in managing its tax affairs.</p>	<p>Governance and controls have been put in place to ensure compliance with the UK government's Code of Practice for Taxation of Banks.</p>
	<p>The Group employs high-quality tax professionals and takes appropriate advice from reputable professional firms. Effective, well-documented and controlled processes are in place to ensure compliance with tax disclosure and filing obligations.</p>	<p>The profit forecasts that support the Group's deferred tax assets, principally in the UK, US and Spain, have been subject to close scrutiny by management.</p>
	<p>Where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.</p>	<p>The Group continues to monitor the potential impact of proposed taxes aimed at banks such as the UK bank levy (see also page 206).</p>

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Risk management

Credit risk management

All disclosures in this section (pages 58-93) are unaudited unless otherwise stated

Overview of Barclays Group Credit Risk Exposures

Credit risk is the risk of suffering financial loss should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with clients. Other sources of credit risk arise from trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase agreements.

Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than impairment charges, even though the fall in value causing the loss may be attributable to credit deterioration.

Analysis of the Group's maximum exposure to credit risk before collateral held or other credit enhancements

The following tables present the maximum exposure at 31st December 2010 and 2009 to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Barclays would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

This analysis and all subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets, mainly equity securities held in the trading portfolio or as available for sale assets, as well as non-financial assets. The nominal value of off-balance sheet credit related instruments is also shown, where appropriate.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and result in no direct loss to the Group.

Whilst the Group's maximum exposure to credit risk is the carrying value of the assets or, in the case of off-balance sheet items, the amount guaranteed, committed, accepted or endorsed, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the Group's exposure.