

Glossary

[accompanying publication Large exposures part]

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Near Final Draft

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Near Final Draft

1 Definitions

ABCP programme

means a programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less.

ABCP transaction

means a securitisation within an ABCP programme.

ADC Exposure

An exposure to a corporate or special purpose entity financing any land acquisition for development and construction purposes, or financing development and construction of any Residential Real Estate or Commercial Real Estate.

Advanced IRB Approach

means:

- (1) in relation to PDs, the approach referred to in paragraph 6 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 151;
- (2) in relation to LGDs and exposure values, the approach referred to in point (b) of paragraph 7 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 151; and
- (3) in relation to maturity for exposures to corporates and Institutions, the approach referred to in Credit Risk: Internal Ratings Based Approach (CRR) Part Article 162.

Banking Law

Banking Business (Jersey) Law 1991

Bank of England

means the Governor and Company of the Bank of England or the bank of the Governor and Company of the Bank of England.

Capital Requirements Regulations

means the Capital Requirements Regulations 2013 (SI 2013/3115).

central bank of a third country

means a third country national central bank, the European Central Bank or other supranational central bank.

Charge

A Legal Mortgage or, if the land in question is outside of the UK, a security interest of an equivalent nature.

Clearing member

means an undertaking which participates in a CCP and which is responsible for discharging the financial obligations arising from that participation.

Commercial Real Estate

Immoveable property that is not residential real estate.

commitment

means any off-balance sheet contractual arrangement that has been offered by the JIB and accepted by the obligor, including to extend credit, purchase assets or issue off-balance sheet items (but which is not itself an issued off-balance sheet item). This includes but is not limited to any such arrangement that may be:

- (1) unconditionally cancelled by the institution at any time without prior notice to the obligor; or
- (2) cancelled by the institution if the obligor fails to meet conditions set out in the relevant agreement, including conditions that must be met by the obligor prior to any initial or subsequent drawdown under the arrangement.

Commodities Finance Exposure

means an exposure that is providing short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities (including crude oil, metals, or crops), where the exposure will be repaid from the proceeds of the sale of the commodity and the obligor has no independent capacity to repay the exposure.

competent authority

means the national authorities of the member states which are empowered by law or regulation to supervise Credit Institutions, insurance undertakings, reinsurance undertakings, investment firms, asset management companies or alternative investment fund managers whether on an individual or group-wide basis.

consolidated situation

refers to a situation where a parent institution, holding company, or financial holding company is treated as a single financial entity for regulatory reporting and capital requirement calculations.

Credit Institution

An undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account;

credit union

means a credit union as defined by:

- (1) the Credit Unions Act 1979; or
- (2) the Credit Unions (Northern Ireland) Order 1985

which is an authorised person.

CRR

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for Credit Institutions and investment firms and amending Regulation (EU) No 648/2012.

CRR Firm

means a person that satisfies the following condition:

- (1) it is an authorised person within the meaning of section 31(1)(a) of FSMA that:
 - (a) is a Credit Institution which has permission under Part 4A of FSMA to carry on the regulated activity of accepting deposits; or
 - (b) is a designated investment firm;
- (2) its registered office, or if it has no registered office, its head office, is in the United Kingdom; and

- (3) it is not a credit union within the meaning of the Credit Unions Act 1979 or the Credit Unions (Northern Ireland) Order 1985, or a friendly society within the meaning of section 417(1) of FSMA.

Derivative contracts

means the derivative contracts listed in Annex II of the **CRR** and credit derivatives.

Designated Investment Firm

means an Investment Firm that is for the time being designated by the PRA under article 3 of the UK Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013 (S.I. 2013/556), but is not:

- (1) a commodity and emission allowance dealer,
- (2) a collective investment undertaking, or
- (3) an insurance undertaking.

Early Amortisation Provision

means an early amortisation provision as defined in point (17) of Article 2 of Regulation (EU) 2017/2402

ECAI

External Credit Assessment Institution

EEA State

has the meaning given in the Interpretation Act 1978 and, where the context requires, includes references to Gibraltar as appropriate.

Eligible Covered Bonds

has the meaning in paragraphs 1 and 6 of Credit Risk: Standardised Approach (CRR) Part Article 129.

Equity Exposure

in the Credit Risk: General Provisions (CRR) Part, the Credit Risk: Standardised Approach (CRR) Part and the Credit Risk: Internal Ratings Based Approach (CRR) Part means an exposure which meets the requirements in paragraphs 1 and 2 of Credit Risk: Standardised Approach (CRR) Part Article 133.

Export Credit Agency

means a governmental, quasi-governmental, or private institution acting on behalf of a government that provides financing, guarantees, or insurance to promote the export of goods and services from the country in which it is based.

Financial Collateral Comprehensive Method

means the method set out in Credit Risk Mitigation (CRR) Part Article 223 for calculating an exposure value which takes into account both price volatility and the risk mitigating effects of collateral held.

Financial customer

means a customer, including a financial customer belonging to a non-financial corporate group, which performs one or more of the Annex 1 activities as its main business, or which is one of the following:

- (a) a Credit Institution;

- (b) an investment firm;
- (c) a securitisation special purpose entity (SSPE);
- (d) a collective investment undertaking (CIU);
- (e) a non-open-ended investment scheme;
- (f) an insurance undertaking;
- (g) a reinsurance undertaking;
- (h) a financial holding company or mixed-financial holding company;
- (i) a Financial Institution;
- (j) a pension scheme arrangement as defined in point (10) of Article 2 of Regulation (EU) No 648/2012.

Financial Institution

Has the meaning given in point (26) of Article 4(1) of CRR

First Loss Tranche

means the most subordinated tranche in a securitisation that is the first tranche to bear losses incurred on the securitised exposures and thereby provides protection to the second loss and, where relevant, higher ranking tranches.

Foreign assets

means assets for which the counterparty is resident in a country or territory outside the UK that a firm is required to report on row 0050 of Annex X Template LV 44.00 of Chapter 6 of the Reporting (CRR) Part.

Foundation Collateral Method

means the method set out in Credit Risk Mitigation (CRR) Part Articles 229 to 231 for calculating risk-weighted exposure amounts and expected loss amounts.

Foundation IRB Approach

means:

- (1) in relation to PDs, the approach referred to in paragraph 6 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 151;
- (2) in relation to LGDs and exposure values, the approach referred to in point (a) of paragraph 7 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 151; and
- (3) in relation to maturity for exposures to corporates and Institutions, the approach referred to in Credit Risk: Internal Ratings Based Approach (CRR) Part Article 162.

FSMA

means the Financial Services and Markets Act 2000

G-SII

has the meaning given in point (133) of Article 4(1) of the CRR.

Higher Risk Equity Exposure

means an equity exposure that is:

- (1) not listed on a recognised exchange; and
- (2) to an undertaking ('A') whose business has existed for a period of less

than five years, beginning with:

- (a) where the business was first established within A, the date A was first established;
- (b) where the business was first established within a different undertaking ('B')

and either:

- (i) the risk profile and nature of the business did not substantially change as a result of the transfer of the business to A, the date B was first established; or
- (ii) the risk profile or nature of the business substantially changed as a result of the transfer of the business to A, the date the business was transferred to A.

Indirect clearing arrangement

means an arrangement that meets the conditions set out in the second subparagraph of Article 4(3) of Regulation (EU) No 648/2012.

Institution

A Credit Institution or a Designated Investment Firm.

Internal Controls

means the whole system of controls, financial or otherwise, established by the management of a JIB in order to:

- (1) carry on the business of the JIB in an orderly and efficient manner;
- (2) ensure adherence to management policies;
- (3) safeguard the assets of the JIB and other assets for which the JIB is responsible; and
- (4) secure as far as possible the completeness and accuracy of the firm's records (including those necessary to ensure continuous compliance with the JFSC's requirements relating to the adequacy of the JIB's financial resources).

Investment Firm

A UK firm subject to the requirements imposed by the United Kingdom legislation that implemented Directive 2014/65/EU, as amended from time to time, other than a Credit Institution;

IP completion day

This defined term is effective from 23:00 on 31/12/2020.

has the meaning given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.

IRB Approach

has the meaning given in Credit Risk: Internal Ratings Based Approach (CRR) Part 1.1

IRB Permission

has the meaning given in Credit Risk: Internal Ratings Based Approach (CRR) Part 1.1.

JIB

Jersey Incorporated Bank, being a person registered under the Banking Law that is incorporated in Jersey

JFSC

Jersey Financial Services Commission

Legal Mortgage

includes a legal charge and, in Scotland, a heritable security.

Level 1 assets

means assets of extremely high liquidity and credit quality as referred to in Article 10 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook.

Leverage ratio

has the meaning given in Article 429(2) of Chapter 3 of the Leverage Ratio (CRR) Part.

LGD Adjustment Method

means the method set out in Credit Risk: Internal Ratings Based Approach (CRR) Part Article 183.

Loss Given Default or LGD

unless the context otherwise requires, means:

- (1) the expected ratio of the loss on an exposure related to a single facility due to the default of an obligor or facility, to the amount outstanding at default of that facility; and
- (2) in the context of dilution risk, the loss given dilution, namely the expected ratio of the loss on an exposure due to dilution, to the amount outstanding according to the pledged or purchased receivable.

Months

means calendar month

Multilateral development bank

means an organisation created by a group of countries with:

- (1) independent legal and operational status;
- (2) large sovereign membership; and
- (3) whose purpose is to provide financing and professional advice for economic and social development projects,

including the Inter-American Investment Corporation, the Black Sea Trade and Development Bank, the Central American Bank for Economic Integration, the CAF-Development Bank of Latin America and any organisation listed in paragraph 2 of Credit Risk: Standardised Approach (CRR) Part Article 117.

Multi-level client structure

This definition only applies to Section 9 of this part.

means an indirect clearing arrangement under which clearing services are provided to an institution by an entity which is not a clearing member, but is itself a client of a clearing member or of a higher-level client.

Net independent collateral amount

means the sum of the volatility-adjusted value of net collateral received or posted, as applicable, to the netting set other than variation margin.

non-UK G-SII

has the meaning given in point (134) of Article 4(1) of the CRR.

Object Finance Exposure

means an exposure that is the funding of the acquisition of physical assets (including ships, aircraft, satellites, railcars, and fleets) where the repayment of the exposure is dependent on the cash-flows generated by the specific assets that have been financed and pledged or assigned to the lender.

On-Balance Sheet Netting

means determining the exposure value in accordance with Article 219.

Original exposure method

means the method set out in Section 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part.

original lender

means an entity which, itself or through related entities, directly or indirectly, concluded the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised.

originator

means an entity which:

- (1) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised; or
- (2) purchases a third party's exposures on its own account and then securitises them.

Output Floor

means the floor laid down in the Own Funds (CRR) Part.

Parent undertaking

means an undertaking which has the following relationship to another undertaking ('S'):

- (1) it holds a majority of the voting rights in S; or
- (2) it is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (3) it has the right to exercise a dominant influence over S through:
 - (a) provisions contained in S's memorandum or articles; or
 - (b) a control contract; or
- (4) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or
- (5) (a) it has the power to exercise, or actually exercises, dominant influence or control over S; or (b) it and S are managed on a unified basis; or
- (6) it is a parent undertaking of a parent undertaking of S; or
- (7) where it effectively exercises a dominant influence over S; and:
- (8) in relation to (2) and (4), the undertaking will be treated as a member of S if any of its subsidiary undertakings is a member of S, or if any shares in S are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings;
- (9) the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (1) to (6).

Personal Investment Company

means an undertaking or a trust, the owner or beneficial owner of which is either a natural person or a group of closely related natural persons which does not carry out any other commercial, industrial or professional activity and which was set up with the sole purpose of managing the wealth of the owner or owners, including ancillary activities such as segregating the owners' assets from corporate assets, facilitating the transmission of assets within a family or preventing a split of the assets after the death of a member of the family, provided that those ancillary activities are connected to the main purpose of managing the owners' wealth.

PRA

means the UK Prudential Regulation Authority.

Probability of Default or PD

unless the context otherwise requires, means:

- (1) the probability of default of an obligor or, where applicable, facility, over a one-year period; and
- (2) in the context of dilution risk, the probability of dilution over that one-year period.

Project Finance Exposure

means an exposure in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure.

Real estate exposure

means an ADC Exposure or an exposure secured by a Charge on immovable property.

Parameter Substitution Method

means calculating:

(1) the risk weight in accordance with the formula in paragraph 1 of Credit Risk Mitigation (CRR) Part Article 236; and

(2) expected loss in accordance with the formula in paragraph 1A of Credit Risk Mitigation (CRR) Part Article 236

Reporting Currency

means pounds sterling unless the JIB's annual accounts are prepared in a different currency, in which case the JIB may use that different currency as their reporting currency.

Regulatory Real Estate Exposure

means a Real Estate Exposure that meets the requirements in Credit Risk: Standardised Approach (CRR) Part Article 124A.

Regulatory Residential Real Estate Exposure

means a Residential Real Estate Exposure that meets the requirements in Credit Risk: Standardised Approach (CRR) Part Article 124A.

Regulatory Retail Exposure

means a retail exposure as defined in Credit Risk: Standardised Approach (CRR) Part 1.2 which meets the requirements in Credit Risk: Standardised Approach (CRR) Part Article 123A.

Residential Real Estate

means immovable property that predominantly has, or will have, the nature of a dwelling and that satisfies all applicable laws and regulations enabling the property to be occupied for housing purposes.

Residential Real Estate Exposure

means a Real Estate Exposure that is not an ADC Exposure and that is secured by Residential Real Estate and is not secured by Commercial Real Estate.

resecuritisation

means securitisation where at least one of the underlying exposures is a securitisation position.

Retail Deposit

means a liability to a natural person or to an SME, where the natural person or the SME would qualify for the retail exposure class under the Standardised or IRB approaches for credit risk, or a liability to a company which is eligible for the treatment set out in Article 153(4), and where the aggregate deposits by that SME or company on a group basis do not exceed GBP 880,000.

Revolving Exposure

means an exposure whereby borrowers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

Revolving Facility

means any facility where the outstanding balance owed by the obligor is permitted to fluctuate based on its decisions to borrow and repay, up to an agreed limit and in accordance with the terms of the facility agreement.

revolving securitisation

means a securitisation where the securitisation structure itself revolves by exposures being added to or removed from the pool of exposures irrespective of whether the exposures revolve or not.

Risk-Weight Substitution Method

means calculating:

- (1) the risk weight in accordance with the formula in paragraph 1 of Credit Risk Mitigation (CRR) Part Article 235; and
- (2) where the exposure is subject to the IRB Approach, expected loss in accordance with the formula in paragraph 1A of Credit Risk Mitigation (CRR) Part Article 235.

Securitisation

means a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is tranching, having all of the following characteristics:

- (1) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- (2) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; and
- (3) the transaction or scheme does not create exposures which possess all of the following characteristics:
 - (a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;
 - (b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate; and
 - (c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.

Securitisation Position

means an exposure to a securitisation.

SME

in the Credit Risk: Standardised Approach (CRR) Part and the Credit Risk: Internal Ratings Based Approach (CRR) Part means a micro, small or medium enterprise with an annual turnover of not more than GBP 44 million where:

- (1) the annual turnover shall be calculated on the basis of the highest consolidated accounts of the group to which the enterprise belongs, if any, according to the rules on accounting consolidation in the applicable jurisdiction; and

- (2) an enterprise shall be considered to be any undertaking regularly engaged in an economic activity irrespective of its legal form, including without limitation: self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations of natural persons.

Sponsor

means a credit institution as defined in point (1) of Article 4(1) of CRR or an investment firm as defined in paragraph 1A of Article 2 of MiFIR, whether located in the UK or in a country or territory outside the UK, which:

(1) is not an originator; and

(2) either:

(a) establishes and manages an ABCP programme or other securitisation that purchases exposures from third party entities; or

(b) establishes an ABCP programme or other securitisation that purchases exposures from third party entities and delegates the day-to-day active portfolio management involved in that securitisation to an entity which is authorised to manage assets belonging to another person in accordance with the law of the country or territory in which the entity is established.

Standardised Approach

means the approach set out in the Credit Risk: Standardised Approach (CRR) Part.

STS securitisation

has the meaning given in regulation 9 of the Securitisation Regulations

Synthetic Securitisation

means a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator.

Third Country

means a territory or country other than the United Kingdom or Jersey

Tier 1 Capital

has the meaning it has in Article 25 of the CRR.

Total Exposure Measure

has the meaning given in Article 429(4) of Chapter 3 of the Leverage Ratio (CRR) Part.

Traditional Securitisation

means a securitisation involving the transfer of the economic interest in the exposures being securitised through the transfer of ownership of those exposures from the originator to an SSPE or through sub-participation by an SSPE, where the securities issued do not represent payment obligations of the originator.

Transactor Exposure

means an exposure to an obligor for the following revolving facilities:

(1) revolving facilities where:

- (a) the balance to be repaid at each scheduled repayment date is determined as the amount drawn at a pre-defined reference date

(including credit cards and charge cards); and

(b) the obligor has repaid the balance in full at each scheduled repayment date for the previous 12-month period; and

(2) an overdraft facility which the obligor has not drawn down over the previous 12-month period.

Tranche

means a contractually established segment of the credit risk associated with an exposure or a pool of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in another segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

Transactions

mean transactions referred to in points (m) and (o) of Article 112 of CRR and other transactions where there is an exposure to underlying assets

Undertaking

means a body corporate (like a company), a partnership, or an unincorporated association carrying on a trade or business, regardless of whether it is for profit. It is used to identify entities, including non-corporate structures, within group relationships and financial reporting.

Unencumbered

means assets which are not subject to any legal, contractual, regulatory or other restriction preventing the institution from liquidating, selling, transferring, assigning or, generally, disposing of those assets via an outright sale or a repurchase agreement.

UK

Means the United Kingdom