

Glossary part

[accompanying publication of the standardised approach to operational risk part]

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Near Final Draft

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1 Definitions

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.

Banking Law

Banking Business (Jersey) Law 1991

Charge

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

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.

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;

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.

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.

ECAI

External Credit Assessment Institution

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 Institution

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

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;

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

real estate exposure

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

Legal Mortgage

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

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.

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.

Output Floor

means the floor laid down in paragraph 3A of Required Level of Own Funds (CRR) Part Article 92.

PRA

means the UK Prudential Regulation Authority.

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.

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.

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.

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.

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.

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.

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.

UK

Means the United Kingdom