

## BANK OF ENGLAND FMI RULEBOOK: GLOSSARY INSTRUMENT [2025]

### Powers exercised

- A. The Bank of England makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137T (General supplementary powers) as applied by paragraph 10 (Rules) of Schedule 17A (Further provision in relation to exercise of Part 18 functions or other FMI functions, by Bank of England); and
  - (2) section 300F (Rules relating to central counterparties and central securities depositories).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act as applied by paragraph 10 (Rules) of Schedule 17A (Further provision in relation to exercise of Part 18 functions, or other FMI functions, by Bank of England).
- C. The Bank of England makes the rules in the Annex to this instrument.

Part	Annex
Glossary	A

### Commencement

- D. This instrument comes into force on [DATE].

### Citation

- E. This instrument may be cited as the Bank of England FMI Rulebook: Glossary Instrument [2025].

### By order of the Financial Market Infrastructure Committee

[DATE]

## Annex A

### FMI Rulebook Glossary

In this Annex new text is underlined and deleted text is struck through.

#### add-ons

means additional amounts of collateral required to cover market and non-market risks that are not fully covered by the model for *regulatory initial margin*.

#### acquiring control

has the meaning given in section 301R of FSMA.

#### authorised overseas credit institution

means a person that is authorised to carry on the business of a *credit institution* in a country or territory other than the *UK*.

#### authorised overseas financial institution

means a person that is authorised to carry on the business of a *financial institution* in a country or territory other than the *UK*.

#### authorised UK credit institution

means a *credit institution* that is a *PRA-authorised person* within the meaning given in section 2B(5) of FSMA.

#### basis risk

means the risk arising from less than perfectly correlated movements between two or more assets or contracts cleared by the CCP.

#### board

means the board of directors of a company.

#### business day

means

- (1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the *UK*) any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the *UK*;
- (2) (in relation to anything done or to be done by reference to a market outside the *UK*) any day on which that market is normally open for business.

#### capital

means *subscribed capital* and its related share premium accounts in so far as:

- (1) it has been paid up;
- (2) it fully absorbs losses in going concern situations and
- (3) it ranks after all other claims in an insolvency.

CCP requirements

means requirements imposed on a CCP by or under EMIR or FSMA including rules made by the Bank under FSMA.

ceasing to have control

has the meaning given in section [301T(3)] of FSMA.

change in control

means any situation amounting to acquiring control, ceasing to have control, increasing control or reducing control.

clearing

means the process of establishing positions, including the calculation of net obligations, and ensuring that financial instruments, cash, or both, are available to secure the exposures arising from those positions.

clearing member

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

client

means an undertaking with a contractual relationship with a clearing member of a CCP which enables that undertaking to clear its transactions with that CCP.

close links

means a situation in which two or more natural or legal persons are linked by:

- (1) participation, by way of direct ownership or control, of 20% or more of the voting rights or capital of an undertaking; or
- (2) control or a similar relationship between any natural or legal person and an undertaking or a subsidiary undertaking of a subsidiary undertaking also being considered a subsidiary undertaking of the parent undertaking which is at the head of those undertakings.

A situation in which two or more natural or legal persons are permanently linked to one and the same person by a control relationship shall also be regarded as constituting a close link between such persons.

confidence interval

means the percentage of possible exposure movements as specified in Chapter 3 of the Margin Requirements Part.

control

- (1) (other than for the purposes of *close links*) means the relationship that exists between a controller and a CCP in which that person holds the relevant shares or voting power.
- (2) for the purposes of *close links*, means the relationship between a parent undertaking and a subsidiary undertaking.

controller

has the meaning given in section 422 of FSMA.

convenience yield

means the benefits derived from direct ownership of a physical commodity which are affected both by market conditions and by factors such as physical storage costs.

covered bond

means a bond meeting the requirements of Article 129 of the CRR.

credit institution

means 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.

data protection legislation

has the meaning given in section 3(9) of the Data Protection Act 2018.

default fund

means a fund that 2.1 of the Default Fund Part requires a CCP to maintain.

derivative or derivative contract

means a *financial instrument* referred to in paragraphs 4 to 10 of Part 1 of Schedule 2 to the *Regulated Activities Order*.

equivalent overseas market

means a market that is based in a country or territory other than the *UK* and that is considered to be equivalent to a *UK regulated market* in accordance with an implementing act adopted by the European Commission under Article 2a of *EMIR* before *IP completion day* or in accordance with regulations made by HM Treasury under that article after *IP completion day*.

employee

means an individual:

- (1) who is employed or appointed by a person in connection with that person's business, whether under a contract of service or for services or otherwise; or
- (2) whose services, under an arrangement between that person and a third party, are placed at the disposal and under the control of that person.

FCA

means the Financial Conduct Authority.

FCA Handbook

means the FCA's Handbook of rules and guidance as amended from time to time.

FCA investment firm

has the meaning given in Article 4(1)(2AB) of the CRR.

financial institution

means an undertaking other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the Annex I activities listed in points (2) to (12) and for this purpose "Annex I activities" has the meaning given in Article 4(1)(26A) of the CRR.

FMI Rulebook

means the rules made under FSMA by the *Bank* as amended from time to time.

increasing control

has the meaning given in section [301S] of FSMA.

initial margin

means collateral called and collected by a CCP to cover its potential future exposures to *clearing members* (and, where relevant, to *interoperable CCPs*) arising in the interval between the last collection of collateral and the liquidation of positions following the default of a *clearing member* (or, as the case may be, an *interoperable CCP*).

institution

means a *credit institution* or a designated investment firm within the meaning given in Article 4(1)(2AA) of the CRR.

independent member

means a member of the *board* who has no business, family or other relationship that raises a conflict of interests regarding the CCP concerned or its controlling shareholders, its management or its *clearing members*, and who has had no such relationship during the five years preceding his membership of the *board*.

interoperability arrangement

means an arrangement between two or more CCPs that involves a cross-system execution of transactions.

interoperable CCP

means a CCP that has entered into an interoperability arrangement with another CCP.

IP completion day

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

liquidation period

means the time period used for the calculation of the *initial margin* that the CCP estimates is necessary to manage its exposures to a defaulting *clearing member* and during which the CCP is exposed to market risk arising from the defaulter's positions.

liquidity risk management framework

means the framework that a CCP is required to establish to manage its liquidity risk in accordance with Chapter 3 of the Liquidity Risk Controls Part.

lookback period

means the time horizon for the calculation of historical volatility.

margin

means collateral called and collected by a CCP to cover its current and potential future exposures, as referred to in the Margin Requirements Part, and includes *initial margin* and *variation margin*.

margin cost

means the average *initial margin* over the financial cycle.

margin coverage

means the extent to which *initial margin* covers estimated losses.

margin procyclicality

means the reactivity of *initial margin* to market volatility.

MIFIR

means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) 648/2012.

money-market instruments

means those classes of instruments which are normally dealt with on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

non-financial counterparty

has the meaning given in Article 2(9) of EMIR.

non-systemic overseas CCP

means an overseas CCP which is not a systemic overseas CCP.

notification threshold

means the higher of:

- (1) 110% of the figure calculated in accordance with 3.1 of the Capital Part; and
- (2) 110% of £6.1 million.

OTC derivative

means a derivative contract the execution of which does not take place on a UK regulated market or on an equivalent overseas market.

overseas CCP

means a CCP established in a country other than the UK which is recognised by the Bank pursuant to Article 25 of EMIR body corporate or unincorporated association which—

- (1) is established in a country or territory outside the UK; and
- (2) has been recognised by the Bank under section [300EA] of FSMA.

parent undertaking

has the meaning given in section 1162 of the Companies Act 2006.

Part 9C rules

has the meaning given in section 143F(1) of FSMA.

personal data

has the meaning given in section 3(2) of the Data Protection Act 2018.

PRA

means the Prudential Regulation Authority.

PRA Rulebook

means the rules made under FSMA by the PRA as amended from time to time.

qualifying holding

means a direct or indirect holding in a CCP which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that CCP.

reducing control

has the meaning given in section [301T(1)] of FSMA.

Regulated Activities Order

means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

regulatory initial margin

means the amounts of collateral calculated by a CCP in accordance with applicable requirements under Chapter 3 of the Margin Requirements Part.

reserves

means reserves as set out in item K.IV of balance sheet format 1 in Section B of Part 1 of Schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and profits and losses brought forward as a result of the application of the final profit or loss.

section 138BA permission

means a permission given by the Bank in accordance with section 138BA of FSMA, as applied and modified by paragraph 10(1)(ba) of Schedule 17A to FSMA.

security financial collateral arrangement

has meaning given in regulation 3 of the Financial Collateral Arrangements (No.2) Regulations 2003.

senior management

means the person or persons who effectively direct the business of the CCP and the executive member or members of the board.



subscribed capital

comprises all amounts, regardless of their actual designations, which, in accordance with the legal structure of the institution concerned, are regarded under the law of any part of the UK as equity capital subscribed by the shareholders or other proprietors.

subsidiary undertaking

has the meaning given in section 1162 of the Companies Act 2006, including a subsidiary undertaking of a subsidiary undertaking of an ultimate *parent undertaking*.

systemic overseas CCP

has the meaning given in section [300EF(2)] of FSMA.

testing exception

means the result of a test which shows that a CCP's model or *liquidity risk management framework* did not result in the intended level of coverage.

trading day

means, in relation to a financial instrument, a day that is a working day in the country or territory where the financial instrument is principally traded.

trading venue

has the meaning given in Article 2(1)(16) of MIFIR.

transferable securities

means those classes of securities which are negotiable on the capital market (with the exception of instruments of payment) such as-

(1) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in such shares;

(2) bonds or other forms of securitised debt, including depositary receipts in respect of such securities;

(3) any other securities giving the right to acquire or sell any such securities or giving rise to a cash settlement determined by reference to such securities, currencies, interest rates or yields, commodities or other indices or measures.

UK-adopted international accounting standards

has the meaning given in section 474(1) of the Companies Act 2006.

UK CCP

means a CCP which is established in the UK, in accordance with Article 17 of EMIR for the purposes of that Article and in relation to which a recognition order made under section 290 of FSMA is in force.

UK Companies Act accounting standards

means those accounting standards set out in the Companies Act 2006 and any regulations made by the Secretary of State pursuant to such Act.

UK regulated market

has the meaning given in Article 2(1)(13A) of MIFIR.

variation margin

means collateral called and collected by a CCP to reflect current exposures resulting from actual changes in market price.

wrong-way risk

means the risk arising from exposure to a counterparty or issuer when the collateral provided by that counterparty or issued by that issuer is highly correlated with its credit risk.

Draft for consultation