BANK OF ENGLAND FMI RULEBOOK: GLOSSARY INSTRUMENT 2027

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

Near-final

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 2027.

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

has the meaning given in 3.3 of the Margin Requirements Part.

acquiring control

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

APC margin measures

has the meaning given in 3.18 of the Margin Requirements Part.

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*, and whose registered office or, if the person does not have a registered office whose head office, is outside 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*.

Near-final

authorised UK credit institution

means a *credit institution* that is a *PRA*-authorised person within the meaning given in section 2B(5) of *FSMA* and whose registered office or, if the *credit institution* does not have a registered office, whose head office is in any part of the *UK*.

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:

(a) *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; and

(b) retained earnings and *reserves*,

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*.

Near-final

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 used by a *CCP* to calculate *regulatory initial margin* for each class of financial instruments that it clears.

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; and

(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.

Near-final

covered bond

means a bond meeting the requirements of Article 129 of the Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*.

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.

CRR

means 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 as it forms part of assimilated law.

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*.

designated investment firm

has the meaning given in the Glossary of the *PRA Rulebook*.

equivalent collateral arrangement

means an arrangement having a similar or equivalent effect to a *security financial collateral arrangement* with respect to a right of use over the relevant collateral under the laws of any applicable jurisdiction to which the collateral is subject or by which it is otherwise governed.

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* for the purposes of Article 2(7) of *EMIR*.

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.

Near-final

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 the Glossary of the *PRA Rulebook*.

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 the Glossary of the *PRA Rulebook*.

FMI Rulebook

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

group

means a group of undertakings: (a) consisting of a parent undertaking and its subsidiaries within the meaning of section 1162 of the Companies Act 2006; or (b) meeting the conditions in Article 113(6) of the ~~CRR~~ Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*.

increasing control

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

initial margin

has the meaning given in 2.1(1) of the Margin Requirements Part.

institution

means a *credit institution* or a *designated investment firm*.

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.

Near-final

interoperable CCP

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

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 to cover a *CCP's* current and potential future exposures to *clearing members* (and, where relevant, to *interoperable CCPs*), as referred to in the Margin Requirements Part, and includes *initial margin* and *variation margin*.

margin cost

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

margin coverage

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

margin model override

has the meaning given in 3.28 of the Margin Requirements Part.

margin procyclicality

means the extent to which the level of *initial margin* falls during periods of low market volatility and rises during periods of market stress.

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 as it forms part of assimilated law.

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.

Near-final

non-financial counterparty

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

non-margin model override

means a deviation by a *CCP* from the regular intended operation of a model or parameter referred to in 2.1 of the Review and Testing of Models and Parameters Part, other than a *margin model override*.

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) £6.71 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*.

override

means a *margin model override* or a *non-margin model override*.

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*.

overseas credit institution UK branch

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

Near-final

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* using the models and the *add-ons* developed and adopted in setting its requirements on *initial margin.*

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 the 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.

Near-final

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 credit institution overseas branch

means an establishment in a country or territory outside the *UK* of an *authorised UK credit institution* that is authorised to carry on the business of a *credit institution* in that country or territory.

UK regulated market

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

variation margin

has the meaning given in 2.1(2) of the Margin Requirements Part.

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.

Near-final