

Glossary of terms and useful abbreviations

Term / Abbreviation		Detail	Further Resources
FINANCIAL INSTITUTIONS / BODIES			
1.	ACAM	Autorite de Controle des Assurances et des Mutuelles (France)	www.acam-france.fr
2.	AFM	The Authority for the Financial Markets (Netherlands)	www.afm.nl
3.	AMF	Autorite des Marches Financiers (France)	www.amf-france.org
4.	APRA	Australian Prudential Regulatory Authority	www.apra.gov.au
5.	ASIC	Australian Securities and Investments Commission	www.asic.gov.au/asic/asic.nsf
6.	AuRC	Audit Regulatory Committee (EU)	www.ec.europa.eu/internal_market/auditing/committee/index_en.htm
7.	BAC	Banking Advisory Committee (EU)	www.ec.europa.eu/internal_market/bank/ebc/index_en.htm
8.	BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Germany)	www.bafin.de
9.	BASE	Buenos Aires Stock Exchange	www.bcba.sba.com.ar
10.	BAV	Bundesaufsichtsamt für Versicherungswesen (Germany)	
11.	BAWe	Bundesaufsichtsamt für den Wertpapierhandel (Germany)	
12.	BCBS	Basel Committee on Banking Supervision	www.bis.org/bcbs/index.htm
13.	BCCI	Bank of Credit and Commerce International	
14.	BCS	Bolsa de Comercio de Santiago/ Santiago Stock Exchange (Chile)	www.bolsadesantiago.com

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15.	BIS	Bank for International Settlements	http://www.bis.org/about/index.htm
16.	BOBS	Board of Banking Supervision (UK)	
17.	BOJ	Bank of Japan	www.boj.or.jp/en
18.	BRUEGEL	Board of the Brussels European and Global Economic Laboratory (BRUEGEL)	www.bruegel.org
19.	BSC	Banking Supervision Committee of the European Central Bank	
20.	BSE	Budapest Stock Exchange (Hungary)	www.bse.hu
21.	Buba	Deutsche Bundesbank	www.bundesbank.de/index.en.php
22.	BVB	Bucharest Stock Exchange (Romania)	www.bvb.ro
23.	CBFA	Banking, Finance and Insurance Commission (Belgium)	www.cbfa.be/eng
24.	CBRC	China Banking Regulatory Commission	www.cbrc.gov.cn/english/home/jsp/index.jsp
25.	CCA	Commission de Controle des Assurances (France)	
26.	CDIC	Canada Deposit Insurance Corporation	www.cdic.ca
27.	CEBS	Committee of European Banking Supervisors	www.c-ebs.org
28.	CECEI	Comite des Etablissements de Credit et des Entreprises d'Investissement (France)	
29.	CEIOPS	Committee of European Insurance and Occupational Pension Supervisors	www.ceiops.org
30.	CESR	Committee of European Securities Regulators	www.cesr-eu.org
31.	CFTC	Commodity Futures Trading Commission (US)	www.cftc.gov
32.	CGFS	Basel Committee on the Global Financial System	www.bis.org/cgfs/index.htm

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33.	CIRC	China Insurance Regulatory Commission	www.china.org.cn/english/MATERIAL/70996.htm
34.	CMF	Conseil des Marchés Financiers (France)	
35.	CMVN	Comissão de Mercado de Valores Mobiliários (Portugal)	www.cmvm.pt/en
36.	CNMV	Comisión Nacional del Mercado de Valores (Spain)	www.cnmv.es/index.htm
37.	CNV	Comisión Nacional de Valores (Argentina)	www.cnv.gov.ar
38.	COB	Commission des Operations de Bourse (France)	
39.	CONSOB	Commissione per le Società e la Borsa (Italy)	www.consob.it/mainen/index.html
40.	CPSS	Basel Committee on Payment and Settlement Systems	www.bis.org./cpss/index.htm
41.	CRA	Credit Rating Agency	
42.	CRD	Capital Requirements Directive	
43.	CSE	Consolidated Supervised Entity (US)	
44.	CSRC	China Securities Regulatory Commission	www.csrc.gov.cn/n575458/n4001948/
45.	CSSF	Commission de Surveillance du Secteur Financier (Luxembourg)	www.cssf.lu/index.php?&L=1
46.	CVM	Brazilian Securities and Exchange Commission (Brazil)	www.cvm.gov.br/ingl/indexing.asp
47.	DBERR	Department of Business, Enterprise and Regulatory Reform	www.berr.gov.uk

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48.	DICJ	Deposit Insurance Corporation of Japan	www.dic.go.jp/english/index.html
49.	DTI	Department of Trade and Industry (UK)	www.dti.gov.ph/splash.html
50.	DSM	Doha Securities Market (Qatar)	www2.dsm.com.qa/pps/dsm/portal/Pages/DSM_Home
51.	EBC	European Banking Committee	www.ec.europa.eu/internal_market/bank/ebc/index_en.htm
52.	ECB	European Central Bank	www.ecb.int
53.	ECAI	External Credit Assessment Institutions	
54.	EFAMA	European Funds and Asset Management Association	www.efama.or
55.	EFC	Economic and Financial Committee (EU)	
56.	EFR	European Financial Services Round Table	www.efr.be
57.	EFRAG	European Financial Reporting Advisory Group	www.efrag.org/homepage.asp
58.	EIOPC	European Insurance and Occupational Pensions Committee	
59.	ESC	European Securities Committee	www.ec.europa.eu/internal_market/securities/esc/index_en.htm
60.	EP	European Parliament	www.europarl.europa.eu/parliament.do
61.	EVCA	European Private Equity and Venture Capital Association	www.evca.eu
62.	FASB	Financial Accounting Standards Board	www.fasb.org/home

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63.	FCAG	Financial Crisis Advisory Group	www.fasb.org/fcag/
64.	FDIC	Federal Deposit Insurance Corporation (US)	www.fdic.gov/index.html
65.	FESCO	Forum of European Securities Commissions	
66.	FFMS	Federal Financial Markets Service (Russia)	www.ffms.ru/eng/
67.	FGD	Financial Groups Directive	
68.	FIBV	Federation Internationale des Bourses de Valeurs	
69.	Fin-FSA	Finnish Financial Supervisory Authority (Finland)	www.finanssivalvonta.fi
70.	FOPI	Federal Office of Private Insurance (Switzerland)	www.finma.ch/archiv/bpv/e/index.html
71.	FRC	Financial Reporting Council (UK)	www.frc.org.uk
72.	FSA	Financial Services Authority (UK)	www.fsa.gov.uk
73.	FSA	Financial Services Agency (Japan – also JFSA)	www.fsa.go.jp/en/index.html
74.	FSAN	Financial Supervisory Authority of Norway	www.kredittilsynet.no/en/
75.	FSAP	Financial Services Action Plan (EU)	www.ec.europa.eu/internal_market/finances/actionplan/index_en.htm
76.	FSAP	Financial Sector Assessment Programme (IMF)	www.imf.org/external/NP/FSAP/fsap.asp
77.	FSB	Financial Stability Board	www.financialstabilityboard.org

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78.	FSC	Financial Services Committee (EU)	
79.	FSCS	Financial Services Compensation Scheme (UK)	http://www.fscs.org.uk
80.	FSF	Financial Stability Forum	
81.	FTA	Free Trade Agreement	
82.	GAAP	Generally Accepted Accounting Principles	
83.	GAO	Government Accountability Office (US)	www.gao.gov
84.	GATS	General Agreement on Trade and Services	www.wto.org/english/tratop_e/serv_e/gatsintr_e.htm
85.	HMT	HM Treasury	www.hm-treasury.gov.uk
86.	IAA	International Actuarial Association	www.actuaries.org
87.	IAASB	International Association of Deposit Insurers	
88.	IADI	International Association of Deposit Insurers	www.iadi.org/index.html
89.	IAIS	International Association of Insurance Supervisors	www.iaisweb.org
90.	IAS	International Accounting Standards	
91.	IASB	International Accounting Standards Board	www.iasb.org/Home.htm
92.	IASC	International Accounting Standards Committee	
93.	ICI	Investment Companies Institute (USA)	www.ici.org
94.	ICMB	International Centre for Monetary and Banking Studies	www.icmb.ch
95.	IDX	Indonesia Stock Exchange	www.idx.co.id/Home/tabid/111/lang/en-US/language/id-ID/Default.aspx
96.	IEA	Institute of Economic Affairs	www.iea.org.uk
97.	IFAC	International Federation of Accountants	www.ifac.org

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98.	IIROC	Investment Industry Regulatory Authority Organization of Canada	
99.	IMF	International Monetary Fund	www.imf.org
100.	IMFC	International Monetary and Financial Committee	www.imf.org/external/np/exr/facts/groups.htm#IC
101.	IMRO	Investment Management Regulatory Organization (UK)	
102.	INREV	European Association for Investors in Non-listed Real Estate Vehicles	www.inrev.org
103.	IORP	Institutions for Occupational Retirement Provision (EU)	
104.	IOSCO	International Organisation of Securities Commissions	www.iosco.org
105.	IOPS	International Organization of Pension Supervisors	www.iopsweb.org
106.	IPO	Initial Public Offering	
107.	ISAs	International Standards on Auditing	
108.	ISDA	International Swaps and Derivatives Association	http://www.isda.org/
109.	ISP	Insurance Supervisory Principles	
110.	ISVAP	Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (Italy)	www.isvap.it/isvap/impres_e_jsp/HomePage.jsp
111.	JFSA	Japan Financial Services Agency	www.fsa.go.jp/en/index.html
112.	JSE	Johannesburg Stock Exchange (South Africa)	www.jse.co.za
113.	LZB	Landeszentralbanken	

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114.	LIFFE	London International Financial Futures Exchange	
115.	MERVAL	Mercado de Valores de Buenos Aires (Argentina)	www.merval.sba.com.ar
116.	MiFID	Markets in Financial Instruments Directive	www.fsa.gov.uk/pages/About/What/International/mifid/index.shtml
117.	MPC	The Monetary Policy Committee	www.bankofengland.co.uk/monetarypolicy/overview.htm
118.	NAIC	National Association of Insurance Commissioners (US)	www.naic.org
119.	NASD	National Association of Securities Dealers (US)	
120.	NGO	Non-Governmental Organization	
121.	NRSRO	Nationally Recognized Statistical Rating Organization (US)	
122.	NZX	New Zealand Stock Exchange	www.nzx.com
123.	OCC	Office of the Comptroller of the Currency (US)	www.occ.treas.gov
124.	OECD	Organisation for Economic Coordination and Development	www.oecd.org
125.	OFC	Offshore Financial Centre	
126.	OPRA	Occupational Pensions Regulatory Authority (UK)	www.thepensionsregulator.gov.uk
127.	OSC	Ontario Securities Commission (Canada)	www.osc.gov.on.ca
128.	OSFI	Office of the Superintendent of Financial Institutions (Canada)	www.osfi-bsif.gc.ca
129.	OTS	Office of Thrift Supervision (US)	www.ots.treas.gov

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130.	PBOC	Peoples Bank of China	www.pbc.gov.cn/english
131.	PCAOB	Public Company Accounting Oversight Board (US)	www.pcaobus.org
132.	PIA	Personal Investment Authority	
133.	PIOB	Public Interest Oversight Board	www.ipiob.org
134.	PSD	Payment Services Directive	
135.	PSE	Prague Stock Exchange	www.pse.cz
136.	RFS	Registry of Friendly Societies (UK)	
137.	ROSC	Report on the Observance of Standards and Codes (IMF)	www.imf.org/external/np/rosc/rosc.asp?sort=date
138.	SEBI	Securities and Exchange Board of India	www.sebi.gov.in
139.	SEC	U.S. Securities & Exchange Commission	www.sec.gov
140.	SESC	Securities and Exchange Surveillance Commission (Japan)	www.fsa.go.jp/sesc/english/index.htm
141.	SEPA	Single European Payments Area	
142.	SFBC	Swiss Federal Banking Commission	www.finma.ch/archiv/ebk/e/index.html
143.	SI	Systematic Internalizer	
144.	SIB	Securities and Investment Board (UK)	
145.	SGX	Singapore Exchange	www.sgx.com
146.	SRO	Self-Regulatory Organization	
147.	TASE	Tel Aviv Stock Exchange (Israel)	www.tase.co.il/TASEng/Homepage.htm

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148.	UCITS	Undertakings for Collective Investments in Transferable Securities (EU)	
149.	WFE	World Federation of Exchanges	www.world-exchanges.org
150.	WTO	World Trade Organization	www.wto.org

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GLOSSARY OF FINANCIAL TERMS		
1.	Amortization	Scheduled reimbursement or repayment of the amount borrowed.
2.	Asset-backed security (ABS)	A security that is collateralized by the cash flows from a pool of underlying assets, such as loans, leases, and receivables. Often, when the cash flows are collateralized by real estate, an ABS is called a mortgage-backed security.
3.	Basel II	An accord providing a comprehensive revision of the Basel capital adequacy standards issued by the Basel Committee on Banking Supervision. Pillar I of the accord covers the minimum capital adequacy standards for banks, Pillar II focuses on enhancing the supervisory review process, and Pillar III encourages market discipline through increased disclosure of banks' financial condition.
4.	Book value per share	The value of a company's assets after deducting the value of its liabilities, divided by the number of outstanding shares.
5.	Budget	A statement of the projected revenues, proposed expenditures, and planned financing of any surplus or deficit of an entity.
6.	Commercial mortgage-backed securities index (CMBX)	A series of indexes, each referencing 25 tranches of commercial mortgage-backed securities, with differing credit ratings.
7.	Committee of European Securities Regulators (CESR)	<p>The European Commission established CESR (in Decision 2001/527/EC of 6 June 2001). It is one of the two committees envisaged in the Lamfalussy Report. CESR is an independent committee that is made up of the heads of the securities regulators of the twenty-five Member States, plus Norway and Iceland. It acts as an advisory committee to assist the Commission, in particular in its preparation of draft implementing measures in the field of securities. It also works to ensure more consistent and timely day-to-day implementation of community legislation and to improve co-ordination between securities regulators.</p> <p>CESR website - www.cesr-eu.org</p>
8.	Commodity Derivatives	Financial instruments (such as futures and options) whose value is based on, derived from, or determined

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		by reference to an asset that is a commodity.
9.	Common equity	Shareholders' total equity minus preferred equity.
10.	Competent Authority	The national body which is (or the bodies which are) responsible, under the legal provisions of the Member States, for carrying out the obligations arising from EU legislation.
11.	Consolidated Admission and Reporting Directive (CARD)	CARD (2001/34/EC) deals with the admission of securities to official listing on a stock exchange and the information to be published on those securities.
12.	Consumer price index (CPI)	A measure of a country's general level of prices based on the cost of a typical basket of consumer goods and services.
13.	Continuing Obligations	The on-going obligations imposed on a company that is admitted to trading on a regulated market. These include the periodic return of financial information and the requirement to keep the market informed of any price-sensitive information.
14.	Credit default swap (CDS)	A credit derivative whose payout is triggered by a "credit event," often a default. CDS settlements can either be "physical"—whereby the protection seller buys a defaulted reference asset from the protection buyer at its face value—or in "cash"—whereby the protection seller pays the protection buyer an amount equal to the difference between the reference asset face value and the price of the defaulted asset.
15.	Credit derivative	A financial contract under which an agent buys or sells risk protection against the credit risk associated with a specific reference entity (or specified range of entities). For a periodic fee, the protection seller agrees to make a contingent payment to the buyer on the occurrence of a credit event (usually default in the case of a credit default swap).
16.	Credit spread	The spread between benchmark securities and other debt securities that are comparable in all respects except for credit quality (e.g., the difference between yields on U.S. treasuries and those on single A rated corporate bonds of a certain term to maturity).

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17.	Default	In finance, default is the term used when a party is unwilling or unable to pay their debt obligations. This can occur with all debt obligations including bonds, debentures, mortgages, loans and notes. Default can also occur with sovereign bonds, that is, governments can default on their payments to creditors. In corporate finance, a default is typically a prelude to bankruptcy. With most loans the total amount owed becomes immediately payable on the first instance of a default of payment.
18.	Derivative	A financial contract whose value derives from underlying securities prices, interest rates, foreign exchange rates, commodity prices, or market or other indices.
19.	Directive	In essence, a directive requires Member States to introduce its provisions via national legislation: "A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods." (Article 249 EC Treaty).
20.	Emerging markets	Developing countries' financial markets that are less than fully developed, but are nonetheless broadly accessible to foreign investors.
21.	European Securities Committee (ESC)	This was established by the Commission decision of 6 June 2001 (2001/1493/EC). It acts as both an advisory body to the Commission and as a regulatory committee. It consists of representatives of Member States with the chairperson and secretariat from the European Commission. The Committee may invite technical experts or observers to take part in meetings. The ESC votes on the level 2 implementing measures submitted to it by the Commission.
22.	Exchange Rate	The price of one currency in terms of another. Most commonly, exchange rates are expressed as the number of units of domestic currency that will purchase one unit of foreign currency (e.g. units of currency per U.S. dollar). An exchange rate may also be defined as the inverse: the number of units of foreign currency that one unit of domestic currency will purchase.
23.	Financial Instrument	Examples of financial instruments include transferable securities, money-market products, units in

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		collective schemes, options, futures and derivative contracts.
24.	Financial Services Action Plan (FSAP)	The European Commission produced the Financial Services Action Plan (FSAP) Communication on 11 May 1999 [Com (1999)232] and it was endorsed by the European Council in Lisbon in March 2000. The 42 measures it recommends are the original framework for the creation of a single market in financial services in Europe. In particular, they are the framework for a single wholesale market, an open and secure market for retail financial services and state-of-the-art prudential rules and supervision. The original timeframe for completion was 2005, but this was later amended to 2003 for wholesale capital market integration.
25.	Globalization	The process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies. Major factors in the spread of globalization have been increased trade liberalization and advances in communication technology.
26.	Government-sponsored enterprise (GSE)	A financial institution that provides credit to specific groups or areas of the economy, such as farmers or housing. Most enterprises maintain legal and/or financial ties to the government.
27.	Gross Domestic Product (GDP)	Gross domestic product is the most commonly used single measure of a country's overall economic activity. It represents the total value of final goods and services produced within a country during a specified time period, such as one year.
28.	Gross National Product (GNP)	Gross national product was formerly used as a measure of a country's overall economic activity, equal to GDP less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world; GNP has been renamed gross national income (GNI) in the System of National Accounts.
29.	Hedge fund	An investment pool, typically organized as a private partnership and often resident offshore for tax and regulatory purposes. These funds face few restrictions on their portfolios and transactions. Consequently, they are free to use a variety of investment techniques—including short positions, transactions in derivatives, and leverage—to attempt to raise returns and manage risk.

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30.	Hedging	Offsetting an existing risk exposure by taking an opposite position in the same or a similar risk—for example, in related derivatives contracts.
31.	Hybrid security	A broad group of securities that combine the elements of both debt and equity. They pay a fixed or floating rate coupon or dividend until a certain date, at which point the holder can have a number of options, including converting the securities into the underlying share. Therefore, unlike equity, the holder has a predetermined cash flow, and, unlike a fixed-income security, the holder has the option to gain when the issuer's equity price rises. Hybrids are typically subordinate to other debt obligations in the capital structure of the firm.
32.	International Accounting Standards (IAS)	These are issued by the International Accounting Standards Board and are designated International Financial Reporting Standards (IFRSs).
33.	Inflation	A sustained increase in the general price level, often measured by an index of consumer prices. The rate of inflation is the percentage change in the price level in a given period.
34.	Inside Information	<p>Information of a precise nature that has not been made public, relating directly or indirectly to issuers of financial instruments. If it were made public, this information would be likely to have a significant effect on the prices of those financial instruments or on the price of related financial derivative instruments. It is also information that a reasonable investor would be likely to use as part of the basis for their investment decisions.</p> <p>The case is different for commodity derivatives. Inside information is what users of the markets where such derivatives are traded would expect to receive in accordance with accepted market practices on those markets.</p>
35.	Insiders' Lists	Lists maintained by issuers and their advisers that include details of persons acting on their behalf, who may have access to inside information.
36.	Institutional investor	A bank, insurance company, pension fund, mutual fund, hedge fund, brokerage, or other financial group

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		that takes investments from clients or invests on its own behalf.
37.	Interest	Scheduled payments made to a creditor in return for the use of borrowed money and which will be determined by the interest rate, the amount borrowed (principal) and the duration of the loan.
38.	Interest Rate	The fixed charge or return, usually expressed on an annual basis, on a financial asset expressed as a percentage of the price of the asset.
39.	Intermediation	The process of transferring funds from the ultimate source to the ultimate user. A financial institution, such as a bank, intermediates when it obtains money from depositors or other lenders and on lends to borrowers.

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40.	International Monetary Fund (IMF)	Organization established by international treaty in 1945 to promote monetary co-operation among its members. Its statutory purposes include promoting the balanced growth of international trade, stability of exchange rates and the maintenance of orderly exchange arrangements among members. The IMF monitors global economic and financial developments and gives policy advice, lends to member countries with balance of payments problems, and provides technical assistance in its areas of expertise.
41.	Investment-grade obligation	A bond or loan is considered investment grade if it is assigned a credit rating in the top four categories. S&P and Fitch classify investment-grade obligations as BBB- or higher, and Moody's classifies investment-grade obligations as Baa3 or higher.
42.	Issuer	Generally, the company that has issued securities for trading on an EU regulated market. It is defined under the TD as a legal entity governed by private or public law (including a State) whose securities are admitted to trading on a regulated market. In the case of depository receipts representing securities, the issuer must have issued the securities represented.
43.	Lamfalussy Report	The Final Report of the Committee of Wise Men on the Regulation of European Securities Markets is known as the Lamfalussy report. It proposes a four-level approach to European securities legislation.
	Level One	The Commission proposes a directive or regulation after a full consultation process. Framework principles and descriptions of implementing powers are contained in the legislation adopted by the European Parliament and the Council.
	Level Two	After consulting the ESC, the Commission requests advice from CESR on technical implementing measures that will implement level one's framework provisions. CESR prepares measures in consultation with stakeholders and sends it to the Commission. The Commission examines the measures and makes proposals to the European Securities Committee, which then votes on the proposal.
	Level Three	The supervisory convergence of regulatory practice to ensure that there is consistent implementation and application of legislation across Europe. CESR works on joint interpretation recommendations, consistent

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		guidelines and common standards (in areas not covered by EU legislation), peer review, and compares regulatory practice to ensure consistent implementation and application.
	Level Four	The enforcement stage. The Commission checks Member States' compliance with EU legislation and may take action against those in breach.
44.	LCDX	An index referencing credit default swaps on loans of 100 individual companies that have unsecured debt trading in the secondary market.
45.	Leverage	The proportion of debt to equity (also assets to equity and assets to capital). Leverage can be built up by borrowing (on-balance-sheet leverage, commonly measured by debt-to-equity ratios) or by using off-balance-sheet transactions.
46.	Leveraged buyout (LBO)	The acquisition of a company using a significant level of borrowing (through bonds or loans) to meet the cost of acquisition. Usually, the assets of the company being acquired are used as collateral for the loans.
47.	LIBOR	LIBOR stands for the London Interbank Offered Rate and is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale (or "interbank") money market.
48.	Listing Rules	The FSA rules made under CARD and Part VI of the FSMA.
49.	Market Manipulation	<p>Market Manipulation is a market abuse offence comprising three strands. The first of these is entering into transactions or orders to trade that:</p> <p>(a) give a false or misleading impression of the supply of, demand for, or price of a qualifying investment; or</p> <p>(b) secure the price of such an investment at an abnormal level.</p> <p>The second is entering into transactions or orders to trade that employ fictitious devices or any other form of deception or contrivance. The third is disseminating information to give a false or misleading signal about a financial instrument.</p>

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50.	Mortgage-backed security (MBS)	A security that derives its cash flows from principal and interest payments on pooled mortgage loans. MBSs can be backed by residential mortgage loans or loans on commercial properties.
51.	Multilateral Trading Facility (MTF)	In broad terms, a system that brings together multiple parties (e.g. retail investors or other investment firms) that are interested in buying and selling financial instruments and enables them to do so. These systems can be crossing networks or matching engines that are operated by an investment firm or a market operator. Instruments may include shares, bonds and derivatives. This is done within the MTF operator's system. The MTF operator is required to allow the interests of the buyers and sellers to interact, so that trades come about without unfairly intervening in the interaction of the interests. The description of MTF excludes bilateral systems where an investment firm enters into one side of a transaction effected using the system. It does this on its own account and not as a riskless counterparty between the buyer and the seller.
52.	Nonperforming loans	Loans that the bank foresees it will have difficulty in collecting. They include nonaccrual loans, reduced rate loans, renegotiated loans, and loans past due 90 days or more. They exclude assets acquired in foreclosures and repossessed personal property.
53.	Originate-to-distribute model	A business model for financial intermediation, under which financial institutions originate loans such as mortgages, repackage them into securitized products, and then sell them to investors.
54.	Overnight index swap (OIS)	An interest rate swap whereby the compounded overnight rate in the specified currency is exchanged for some fixed interest rate over a specified term.
55.	Passport	A term describing the right to conduct financial services across the EU based on a single authorisation or approval. Firms authorised in one Member State acquire passporting rights enabling them to establish branches in other Member States (see Articles 31 and 32 MiFID). Issuers have their prospectus approved by their home competent authority in one member state and are then allowed to "passport in" to any of the other 24 member states, using that prospectus to raise capital in those states without further approvals.

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56.	Private equity	Shares in privately held companies that are not listed on a public stock exchange.
57.	Private equity fund	Pool of capital invested by a private equity partnership, typically involving the purchase of majority stakes in companies and/or entire business units to restructure the capital, management, and organization.
58.	Qualified Investor	Persons that may be issued with securities without the need for an FSA-approved prospectus usually because they are knowledgeable in financial matters. These include: (i) legal entities that are authorised or regulated to operate in financial markets, including: credit institutions, insurance companies and pension funds; (ii) national and regional governments, central banks and public international bodies; and small and medium-sized enterprises and (iii) individuals who are authorised by the FSA.
59.	Registration Document	A part of the three-part prospectus, the registration document contains information about the issuer. With the Securities Note and Summary, it forms a valid prospectus.
60.	Regulations	In contrast to directives, regulations do not have to be transposed separately into national legislation: 'A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States' (Article 249 EC Treaty).
61.	Regulatory arbitrage	Taking advantage of differences in regulatory treatment across countries or different financial sectors, as well as differences between the real (economic) risk and that as measured by regulatory guidelines, to reduce regulatory capital requirements.
62.	Repurchase agreement (repo)	An agreement whereby the seller of securities agrees to buy them back at a specified time and price. The transaction is a means of borrowing cash collateralized by the securities "repo-ed" at an interest rate implied by the forward repurchase price.
63.	Risk aversion	The degree to which an investor who, when faced with two investments with the same expected return but different risk, prefers the one with the lower risk. That is, it measures an investor's aversion to uncertain outcomes or payoffs.
64.	Risk premium	The extra expected return on an asset that investors demand in exchange for accepting the higher risk associated with an asset.

Glossary of terms and useful abbreviations

	Term	Detail
65.	ROA	Return on assets, which equals (net income before preferred dividends plus ((interest expense on debt minus interest capitalized) multiplied by (1 minus the tax rate))) divided by last year's total assets multiplied by 100.
66.	ROE	Return on equity, which equals (total income minus preferred dividends) divided by total common equity multiplied by 100.
67.	Securitization	The creation of securities from a pool of pre-existing assets and receivables that are placed under the legal control of investors through a special intermediary created for this purpose (a "special purpose vehicle" [SPV] or "special purpose entity" [SPE]). In the case of "synthetic" securitizations, the securities are created from a portfolio of derivative instruments.
68.	Share Buy-backs	These occur where an issuer enters into a programme to purchase its own securities either to reduce its capital or to meet obligations arising from: (i) debt financial instruments exchangeable into equity instruments or (ii) employee share option programmes or other allocations of shares to employees of the issuer or of an associate company.
69.	Regulated Market	A market place, trading system or exchange which meets the minimum EU standards set out in title III of the MiFID. Under MiFID, entities that offer multilateral trading for financial instruments (such as an order book), must be organised as either a regulated market or an MTF, with slightly different standards applying to each. "Regulated market" is, however, the core concept across the FSAP directives for securities markets: admission to trading on a regulated market triggers prospectus obligations under the PD, disclosure and accounting obligations under the TD and market abuse obligations under the MAD.
70.	Sovereign Debt	A debt instrument issued by a sovereign government. Most sovereign debt takes the form of bonds.
71.	Spread	See "credit spread" above. Other definitions include (1) the gap between the market bid and ask price of a financial instrument; and (2) the difference between the price at which an underwriter buys an issue from

Glossary of terms and useful abbreviations

	Term	Detail
		the issuer and the price at which the underwriter sells it to investors.
72.	Stabilisation	This is when an issuer that is involved in a distribution or offering of its securities buys or sells such securities in the market, in order to support the market price of those securities for a predetermined period of time. During this time, there may be selling pressure as a result of the distribution.
73.	Structured credit product	An instrument that pools and tranches credit risk exposure, including mortgage-backed securities and collateralized debt obligations.
74.	Structured investment vehicle (SIV)	A legal entity whose assets consist of asset-backed securities and various types of loans and receivables. An SIV's funding liabilities are usually tranching and include short- and medium-term debt; the solvency of the SIV is put at risk if the value of the assets of the SIV falls below the value of the maturing liabilities.
75.	Subprime mortgage	A mortgage loan to a borrower with an impaired or limited credit history, and who typically has a low credit score.
76.	Swap	An agreement between counterparties to exchange periodic interest payments based on different reference financial instruments on a predetermined notional amount.
77.	Tangible assets (TA)	Total assets less intangible assets (such as goodwill and deferred tax assets).
78.	Tangible common equity (TCE)	Total balance sheet equity less preferred debt less intangible assets.
79.	Tier 1 capital	The core capital supporting the lending and deposit activities of a bank. It consists primarily of common stock, retained earnings, and perpetual preferred stock.
80.	Tier 1 FHC	This is the new designation for systemically important financial institutions that will come under the consolidated supervision of the Federal Reserve. They can be bank holding companies currently regulated by the Fed or other financial holding companies, even ones that don't own a depository institution.

Glossary of terms and useful abbreviations

	Term	Detail
81.	Tier 2 capital	The supplemental capital supporting the lending and deposit activities of a bank. It includes limited life preferred stock, subordinated debt, and loan-loss reserves.
82.	Total capital	The total investment in the company. It is the sum of common equity, preferred stock, minority interests, long-term debt, non-equity reserves, and deferred tax liability in untaxed reserves. For insurance companies, policyholders' equity is also included.
83.	Total debt	All interest-bearing and capitalized lease obligations.
84.	Total deposits	The value of money held by the bank or financial company on behalf of its customers.
85.	UCTIS	Undertaking for Collective Investment in transferable securities.
86.	World Bank	The World Bank includes two development institutions owned by 184 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD is concerned with middle income and creditworthy poor countries, while the IDA focuses on alleviating poverty in the poorest countries in the world. Both institutions provide low-interest loans, interest-free credit and grants to developing countries for projects and programs to, for example, build schools and health centres, provide water and electricity, fight disease and protect the environment. World Bank assistance is funded both by member country contributions and through bond issuance.
87.	Yield curve	The relationship between the interest rates (or yields) and time to maturity for debt securities of equivalent credit risk.