

# Regulation of Banks and Financial Markets in Europe – Glossary

FIFTH, UPDATED VERSION







# A

## **ABCP** Asset-Backed Commercial Paper

Short-term asset-backed security, for which a sponsoring bank provides a liquidity facility covering all of an investor's risks. The concept is associated with the European Commission's (→ [EC](#)) initiative to revive the securitisation markets.

→ [STS SECURITISATIONS](#)

## **ABS** Asset-Backed Securities

Rights (arising from receivables) or other payment claims are securitised, for example, by way of marketable securities. Thus, these securities are backed by assets (hence the term 'asset-backed').

## **ABSP** Asset-Backed Securities Purchase Programme

Purchasing programme for asset-backed securities, as resolved by the Governing Council of the ECB in connection with the → [CBPP](#) in September 2014. Purchases of asset-backed securities (→ [ABS](#)) on the primary and secondary markets serve to strengthen the transmission of monetary policy, to support the credit supply of the euro area economy, thus causing further (quantitative) monetary easing. Purchase criteria were adjusted several times.

## **ACC** Additional Credit Claims

To ensure that banks have full access to central bank liquidity, even in adverse circumstances, the Eurosystem permits national central banks to temporarily accept additional types of collateral, thus allowing them to take into account conditions specific to their respective countries, such as the types of collateral available, or certain statutory requirements and operational circumstances. Deutsche Bundesbank has only made limited use of the relief provided by the ACC framework.

**NEW** **ACH** Automated Clearing House

An electronic clearing system which exchanges payments between payment services providers, netting them, for example, in TARGET2. The clearing and settlement payment processes are mostly executed several times a day and at predefined times. Settlement is carried out on a gross (per file) or net basis, via accounts which the participating financial services providers hold with a central bank or a private settlement bank. This generally involves a large number of payments, such as payment transfers or direct debits.

**ADR** Alternative Dispute Resolution

Alternative or out-of-court settlement of disputes. Procedure for settling disputes via a neutral third party (for example ombudsmen, conciliators, mediators) by way of a binding decision for one or both parties, a non-binding settlement proposal for both parties, or by means of benefits enabling the parties to find their own solution.

**AIFM** Alternative Investment Fund Manager

An Alternative Investment Fund Manager is a legal entity whose regular business is to manage one or more Alternative Investment Funds (AIFs).

**AIFMD** Alternative Investment Fund Managers Directive (AIFM Directive)

EU directive that regulates investment fund managers not covered by the UCITS Directive. → [UCITS V](#)

**AML/AMLD** Anti-Money Laundering/Anti-Money Laundering Directive

A directive which aims to combat money laundering; established on EU level and transposed into national law.

**AnaCredit** Analytical Credit Datasets

Granular database established by the → [ECB](#), comprising detailed information on individual exposures held by banks in the euro area for monetary policy and regulatory purposes.

**APP** Asset Purchase Programme

Asset Purchase Programme that was adopted by the Governing Council of the ECB in early 2015. Please also see → [CBPP](#), → [ABSPP](#), → [PSPP](#), → [CSPP](#) and → [PEPP](#).

**AQR** Asset Quality Review

Extensive, risk-oriented examination of institutions' asset quality. As a rule, the results are used as a starting point for regulatory stress testing.

**ASCG** Accounting Standards Committee of Germany

The ASCG is a not-for-profit association, domiciled in Berlin, with the aim of promoting the further development of financial reporting. At the international level, the DRSC is referred to as Accounting Standards Committee of Germany (ASCG).



# B

## **BAIT** Supervisory Requirements for IT in Financial Institutions

In addition to the Minimum Requirements for Risk Management in Banks (MaRisk), the BAIT provide an interpretation of the legal requirements of section 25a (1) sentence 3 nos. 4 and 5 of the German Banking Act (Kreditwesengesetz – “KWG”). Through BAIT, the German Federal Financial Supervisory Authority (BaFin) has specified what it considers appropriate technical and organisational resources for IT systems, with particular regard to the requirements for information security and suitable contingency plans. Since institutions are increasingly obtaining IT services from third parties, for instance as part of outsourcing arrangements, this interpretation also incorporates section 25b of the KWG.

## **BCBS** Basel Committee on Banking Supervision

Develops internationally harmonised rules on banking supervision. The Committee’s decisions are recommendations, and thus not legally binding. The Committee is comprised of central bank and supervisory authority representatives from important industrialised nations as well as emerging market countries. The Committee is hosted by the → [BIS](#) in Basle.

## **BCM** Business Continuity Management

Scheme or concept designed to safeguard the continued operation of a bank and its business processes in the event of disruptions to the usual course of business.

## **Benchmark Regulation**

EU regulation designed to protect investors and market integrity by ensuring that benchmarks used in the → [EU](#) are robust, reliable and cannot be manipulated.

**BEPS** **Base Erosion and Profit Shifting**

The BEPS project of the → [OECD](#) aims to combat or prevent tax evasion.

**UPDATED** **BIS** **Bank for International Settlements**

Supports central bank collaboration and facilitates international settlements. BIS is headquartered in Basle, as are the Basel Committee on Banking Supervision (→ [BCBS](#)), the Financial Stability Board (→ [FSB](#)), and the Committee on Payments and Market Infrastructures (→ [CPMI](#)).

**BoS** **Board of Supervisors**

Board of Supervisors of the respective European Supervisory Authority (→ [ESA](#)). Main decision-making body of the authority; takes all policy decisions, such as adopting draft technical standards, guidelines, opinions and reports. The Board of Supervisors generally takes its decisions by a simple majority; certain resolutions, however, require a qualified majority. The BoS is composed of the heads of the member states' supervisory authorities responsible for the supervision of credit institutions.

**BRRD** **Bank Recovery and Resolution Directive**

The EU's bank resolution or crisis management directive. EU Directive that sets out minimum requirements for the recovery and resolution of banks and investment firms. → [SRM](#)



## C

**CA** **Competent Authority**

Generic term for the authorities responsible in a certain area, e.g. banking supervisory authorities, securities regulators or the European Central Bank (→ [ECB](#)). → [NCA](#)

**CA** **Comprehensive Assessment**

The CA comprises two main pillars: the → [AQR](#) and the regulatory stress test.

**CBDC** **Central Bank Digital Currency**

Digital currency issued by central banks in addition to physical bank notes and coins as well as demand deposits held with central banks. Issuance of a ‘digital euro’ as a CBDC by the → [ECB](#) is attracting some controversial discussion in Europe.

**CBPP** **Covered Bond Purchase Programme**

Programme for the purchase of covered bonds, adopted by the Governing Council of the ECB in 2009 in order to stabilise the market for these securities and thus to prevent funding problems for banks. CBPP2 followed in 2011 and CBPP3 in 2014. The latter is especially aimed at stimulating lending, thus returning inflation rates closer to the target level of 2%.

**CBR** **Combined Buffer Requirement**

Combined buffer requirement in accordance with the second pillar pursuant to the → [CRD](#) (capital conservation buffer, counter-cyclical capital buffer, G-SII/O-SII buffer, systemic risk buffer). → [TSCR](#), → [OCR](#), → [SREP](#)



**CCCTB** Common Consolidated Corporate Tax Base

Project launched by the European Commission for the implementation of a common system enabling the calculation of the tax base of companies active in the → EU. The CCCTB includes a single set of rules these companies may implement for the calculation of taxable profits. In addition, groups subject to the CCCTB system need only submit a single summary tax return for the entire scope of their activities within the EU. A company's consolidated taxable profit is allocated to the individual affiliated companies on the basis of a simple apportionment formula. Thus, each member state retains the sovereign right to set its own national tax rates for the profit generated by taxable businesses.

**CCP** Central counterparty

Companies which act as counterparties and thus as intermediaries for the (original) contracting parties in derivative contracts or securities financing transactions.

**CCR** Counterparty credit risk

Counterparty credit risk refers to the risk that the counterparty to a transaction, such as a derivatives transaction, defaults before the final settlement of the payments associated with this transaction.

**CDD** Customer Due Diligence

Customer-related due diligence. The German Money Laundering Act (Geldwäschegesetz – “GwG”) distinguishes between three types of due diligence: general (the rule), simplified (lower money laundering risk), and enhanced due diligence (increased money laundering risk).

**CIR** Cost/income ratio

Bank management indicator that is used to assess the profitability of an institution; the CIR expresses the ratio of administrative expenses to operating income.

**UPDATED** **CLM** Central Liquidity Management

A component of TARGET Services, providing information on the central bank's liquidity, the management of credit lines, and the central bank's operations on the one hand, and funds to facilitate the settlement of TARGET Services on the other. This relates to → [TARGET2](#), → [T2S](#) and → [TIPS](#). CLM will be replaced by the → [ECMS](#) in November 2023.

**CMU** Capital Markets Union

European Capital Markets Union. Flagship project of the current European Commission under the responsibility of the Commission's Vice-President Valdis Dombrovskis. The objectives of CMU are to create an integrated financial market in the EU, and to promote the financing of the real economy via the capital market.

**CRA Regulation**

Currently in its third amended version (CRA III); providing the legal basis for the supervision of credit rating agencies by → [ESMA](#), including provisions that credit rating agencies have to comply with (e.g. when assigning ratings), as well as individual provisions which also apply to issuers or users of ratings.

**CRD** Capital Requirements Directive

The European Capital Requirements Directive (CRD), as amended, implements the requirements of the second pillar of Basel III within the EU. This concerns the → [ICAAP](#), the → [ILAAP](#), the → [SREP](#), capital buffer requirements, and remuneration provisions.



### **CRIM-MAD** Directive on Criminal Sanctions for Market Abuse

Directive on criminal sanctions for insider trading and market manipulation. Governs administrative and criminal sanctions for behaviour amounting to market abuse, supplementing the → [MAR](#).

### **CRR** Capital Requirements Regulation

European banking regulation – the European implementation of the so-called 'first pillar' of Basel III. Besides providing a definition of regulatory capital, the CRR governs particularly the measurement of risk exposures and the determination of corresponding capital requirements.

### **CRS** Common Reporting Standard

→ [OECD](#) standard for the automatic multilateral exchange of information on taxpayers. Developed by the OECD, this system provides automatic information exchange on financial accounts. Member states agree upon the exchange of financial account data, to be submitted by financial institutions to their national tax authority, which will in turn automatically transmit information to the financial account holder's country of residence on an annual basis.

### **CSA** Cybersecurity Act

The European act on cybersecurity has been part of a comprehensive set of measures since 2017, aimed at combating cyber attacks and establishing a solid cybersecurity infrastructure in Europe. This includes a permanent mandate of the European Union Agency for Cybersecurity → [ENISA](#) and a European certification framework for cybersecurity.

**CSD** Central Securities Depository

A CSD is responsible for safekeeping and transferring securities (whether physical or book-entry securities handled in electronic form) in securities deposit accounts and thus provides for the central custody of exchange-traded securities. In Germany, Clearstream performs CSD services.

**NEW** **CSDDD** Corporate Sustainability Due Diligence Directive

The EU Commission's proposal on embedding sustainable and responsible corporate conduct in all global value creation chains, committing companies to establish risk management processes for the identification, assessment, and mitigation of human rights-related and environmental risks.

**CSDR** Central Securities Depository Regulation

The CSDR contains regulations regarding the authorisation and supervision of central securities depositories for the provision of cross-border investment services in the → EU, and provisions for improving market participants' settlement discipline.

**CSPP** Corporate Sector Purchase Programme

Programme for the purchase of securities issued by the corporate sector. Since June 2016, the Eurosystem has been buying bonds from euro area companies as well. Bonds issued by credit institutions are excluded from this programme.

**NEW** **CSRD** Corporate Sustainability Reporting Directive

Directive amending the Accounting Directive. Companies subject to the CSRD are required to disclose sustainability information on environmental, social and governance (→ ESG) factors in their management report, and submit this information for external audit. The CSRD also applies to a larger set of companies and is specified by level 2 standards (→ ESRS).

**CVA-Risk** Credit Valuation Adjustment risk

CVA expresses the market value of counterparty credit risk. CVA is a surcharge on capital requirements, reflecting the risk of an increase in a debtor's probability of default.



# D

## **NEW** **DFÜ Agreement** **Remote Data Access Agreement**

The five associations of the German Banking Industry Committee (GBIC) and the Deutsche Bundesbank have signed the EDI agreement, which obliges their members and the Bundesbank to comply with the → [EBICS](#) standard.

## **DGS** **Deposit Guarantee Scheme**

Deposit guarantee scheme. Refers to statutory and officially recognised deposit guarantee schemes, which cover deposits up to €100,000 per customer and institution.

## **DGSD** **Deposit Guarantee Scheme Directive**

EU Directive on deposit guarantee schemes. This Directive lays down rules and procedures relating to the establishment and the functioning of (national) deposit guarantee schemes.

## **DIF** **Deposit Insurance Fund**

Joint Deposit Insurance Fund. Joint deposit insurance fund to be established within the scope of a European deposit insurance scheme, to be funded through mandatory contributions by all participating banks. It is to be administered by the → [SRB](#).

## **DLT** **Distributed Ledger Technology**

A distributed ledger is a public and decentralised peer-to-peer digital system or database for recording transactions between parties in multiple places at the same time. Its main feature is the elimination of a central authority otherwise needed to authenticate each individual transaction. It is the technological foundation of virtual currencies: DLT



solutions can be applied, inter alia, to digital payments, business transactions as well as the clearing and settlement of securities. Usually, a distributed ledger consists of a blockchain. The best-known application is the blockchain of the virtual currency Bitcoin.

**NEW** **DORA** **Digital Operational Resilience Act**

DORA creates a uniform legal framework on digital operational resilience within the EU, ensuring that companies in the financial sector are able to respond to ICT-related disruptions and threats – preventing or mitigating cyber threats. DORA describes requirements for twenty-one different types of financial institutions and entered into force in January 2023. The regulation will have to apply from January 17, 2025, taking into account the delegated acts.



# E

## UPDATED **EBA** European Banking Authority

An independent EU authority based in Paris, responsible for effective and consistent prudential regulation and supervision within the entire European banking sector. EBA develops drafts on behalf of the EU Commission which specify certain requirements of EU banking regulations.

## NEW **EBICS** Electronic Banking Internet Communication Standard

Initially developed for corporate clients, this technical standard for electronic payments – applicable in Germany, France, Austria, and Switzerland – is now firmly established for large-volume, instant and mass payments in the interbank sector. It entails strict security requirements and allows for complex authorisation schemata. To ensure a uniform standard, the four national communities are constantly improving upon the EBICS within the EBICS Company (→ [EBICS SC](#)).

## NEW **EBICS SC** EBICS Company

The EBICS SC, or EBICS Company, is responsible for standardising the → [EBICS](#) procedure; it is represented by its Board of Directors. Germany and France both have four seats, Austria and Switzerland have one each. Each of the four German banking associations (BdB, BVR, DSGV, and VÖB) has one of the four German seats. EBICS SC is a company established under Belgian law with its registered office in Brussels.

## NEW **EC** European Commission

The European Commission is the executive body of the → [EU](#) and was established in 1957. It acts in the general interest of the EU and, in addition to holding the right of legislative initiative in various policy areas, also monitors the implementation of EU





law. The Commission is organised into Directorates-General and departments, the majority of which are based in Brussels. The political leadership consists of the Commission President, seven Vice-Presidents, and 20 Commissioners.

### **ECB** European Central Bank

Based in Frankfurt/Main, the ECB is one of the seven institutions of the → EU. The Governing Council is the ECB's main decision-making body and consists of the six members of the ECB Executive Board, as well as the governors or presidents of the national central banks of the euro area countries. The Governing Council's main responsibility lies in formulating the monetary policy for the Eurosystem. In response to the financial and sovereign debt crisis, the ECB became a leading player in European banking supervision in 2012 (→ SSM). The ECB and the national central banks of the euro area form the Eurosystem; the ECB and the central banks of all EU member states form the European System of Central Banks (ESCB).

### **NEW** **ECMS** Eurosystem Collateral Management System

A new TARGET Service, which will replace the → CLM in November 2023, to harmonise the management of assets used as collateral for credit operations in the Eurosystem (monetary policy operations and intraday loans in → TARGET2). This new Eurosystem infrastructure will allow all national central banks in the EU, together with their counterparties and other relevant actors (e.g. central securities depositories, third-party agents), to work in a single European system via standardised interfaces.

### **ECOFIN** Economic and Financial Affairs Council

ECOFIN comprises the economics and finance ministers of EU member states; the Council is responsible for economic policy, tax issues, and the regulation of financial services. ECOFIN holds regular meetings once a month. The prepara-



tion of ECOFIN content is carried out, inter alia, by the Permanent Representatives Committee (→ [COREPER](#)).

### **ECON** Economic and Monetary Affairs Committee

ECON is an expert committee of the European Parliament (→ [EP](#)), whose responsibilities include regulating and monitoring financial services, financial institutions and financial markets, economic and monetary policy, as well as safeguarding the free movement of capital and payments throughout the → [EU](#). ECON proposes amendments to legislative proposals through the adoption of reports; ultimately, these amendments have to be adopted by the plenary assembly of the European Parliament.

### **EDD** Enhanced Due Diligence

Enhanced due diligence regulations to prevent money laundering. The objective of these regulations is to mitigate increased risks through the application of additional, strengthened due diligence requirements, in particular for politically exposed persons (→ [PEPS](#)). → [AML/AMLD](#), → [CDD](#)

### **EDIS** European Deposit Insurance Scheme

European Deposit Insurance Scheme (EDIS) is a proposal brought forward by the EU Commission for a regulation to create a joint fund for protecting customer deposits at EU banks.

### **UPDATED** **EFRAG** European Financial Reporting Advisory Group

The purpose of the Brussels-based European Financial Reporting Advisory Group is to ensure that European views in the field of financial reporting are properly considered by the → [IASB](#), and to coordinate the initiatives taken by the national financial reporting advisory committees (such as the → [ASCG](#) in Germany). EFRAG advises the European Commission (→ [EC](#)) on issues related to → [IFRS](#) adoption, and develops sustainability standards (→ [ESRS](#)) for the → [EC](#).

**EFSF** **European Financial Stability Facility**

EFSF was created as a temporary crisis resolution mechanism by the euro area member states. Its mission is to safeguard solvency within the euro area. Effective 1 July 2013, the EFSF was replaced by the → [ESM](#).

**EIOPA** **European Insurance and Occupational Pensions Authority**

The European Insurance and Occupational Pensions Authority is based in Frankfurt/Main, Germany.

**ELA** **Emergency Liquidity Assistance**

ELA aims to provide central bank money to solvent financial institutions that are facing temporary liquidity problems, via national central banks.

**EMA** **European Master Agreement**

Also known as Master Agreement for Financial Transactions. It was developed by leading associations of the banking sector as a uniform master agreement for financial transactions such as derivatives, securities, or repos. The → [ECB](#) counts among its most prominent users.

**EMIR** **European Market Infrastructure Regulation**

According to EMIR requirements, market participants are obliged to clear standardised OTC derivatives through a → [CCP](#), to report all derivative transactions to a → [TR](#), and to apply risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty.

**EMMI** **European Money Markets Institute**

→ [EURIBOR](#) administrator.

**ENISA** **European Union Agency for Cybersecurity**

ENISA holds the permanent mandate to ensure high-level network and information security throughout the EU. To this



end, it is permanently in touch with national authorities and EU institutions and coordinates the contacts between the EU institutions, national authorities and companies in order to strengthen cybersecurity across Europe.

### **EONIA** Euro Overnight Index Average

Reference interest rate that reflects the interest rate for uncollateralised overnight placements in euros on the inter-bank market within the euro area. A modified calculation method was introduced on 1 October 2019; market participants were able to use modified EONIA until the end of the transitional periods on 31 December 2021, as stipulated in the → [BENCHMARK REGULATION](#).

### **EP** European Parliament

One of the two legislative bodies of the → [EU](#). As a co-legislator to the Council, it shares the power to adopt and amend legislative proposals made by the European Commission. Besides the legislative power, the EP decides on the EU budget, and has important monitoring and consulting competencies. It is composed of the President and approx. 700 Members of the European Parliament, elected in their respective EU member state for a term of five years. The Members of the European Parliament sit in political groups according to their political affiliation. The European Parliament currently houses eight political groups. In order to conduct the preparatory work for Parliament's plenary sittings, the Members are divided up among 20 parliamentary committees.

### **EPC** European Payments Council

EPC is a not-for-profit association based in Brussels, formed of banks and banking associations from all over Europe. EPC has developed regulations for → [SEPA](#) payment transfers and direct debits, and is responsible for their further develop-



ment as well as for adaptation to technical innovations and new legal requirements.

### **ERPB** Euro Retail Payments Board

→ [ECB](#) entity, composed of representatives from the European supply side (banking industry), the demand side, and national central banks. The purpose of the ERPB is to contribute to the development of an integrated, innovative and competitive market for euro-denominated mass payments within the → [EU](#).

### **ESAs** European Supervisory Authorities

The ESAs were established during the course of reforming the European System of Financial Supervisors in 2011; they comprise the European Banking Authority (→ [EBA](#)), the European Securities and Markets Authority (→ [ESMA](#)) and the European Insurance and Occupational Pensions Authority (→ [EIOPA](#)). The ESAs are responsible for micro-prudential supervision at EU level; their task is to contribute to a consistent and converging financial markets supervision within the → [EU](#), via guidelines, technical standards, FAQ and recommendations.

### **ESEF** European Single Electronic Format

EU digital reporting format implemented under the Transparency Directive, which has been mandatory for annual financial reports since 1 January 2020. In addition, information in consolidated financial statements according to → [IFRS](#) standards must be tagged using iXBRL. The goal of ESEF is to achieve better comparability and machine-readability. The ESEF taxonomy is updated every year, following the update of the IFRS taxonomy.

**ESFS** European System of Financial Supervision

A decentralised, multi-layered system consisting of micro- and macroprudential supervisory authorities established in 2011, whose objectives are to develop common supervisory principles, and to create a single European financial market.

**ESG** Environmental, Social and Governance Criteria

These criteria are used within the scope of non-financial reporting or for sustainability ratings in order to assess the sustainability and ethical conduct of companies, project owners, and public-sector institutions.

**ESIS** European Standardised Information Sheet

Standardised information sheet for loans in the housing industry with which lenders fulfil their obligations to provide pre-contractual information to borrowers, thus giving the latter the opportunity to compare credit offers across Europe.

**ESM** European Stability Mechanism

The ESM replaced the → [EFSF](#) in mid-2013 as the European protection and emergency mechanism. Its aim is to safeguard the financial stability/solvency of the euro area. Under certain circumstances, the → [SRF](#) may draw on funds from the ESM if its volume is insufficient for the resolution of institutions.

**ESMA** European Securities and Markets Authority

Paris-based ESMA contributes to the regulation of capital markets by developing guidelines, → [RTSS](#), → [ITS](#), Opinions and → [Q&A](#) lists. ESMA is the direct supervisory authority for → [TRS](#) and → [CRAs](#).

**ESRB** European Systemic Risk Board

EU body for the macroprudential supervision of systemic risks within the EU.

**NEW ESRS European Sustainability Reporting Standards**

Specify the reporting obligations set out in the → [CSRD](#). The standards are developed by → [EFRAG](#) and adopted by the → [EC](#) as delegated acts with immediate effect.

**€STR Euro Short-Term Rate**

Unsecured overnight interest rate published by the → [ECB](#), calculated based on data from the Eurosystem's money market statistics.

**EU European Union**

Political and economic union of 27 member states. Its main institutions are the European Council, the Council of Ministers, the European Commission (→ [EC](#)) and the European Parliament (→ [EP](#)). The EU's modus operandi depends on the respective field of policy; its competences and voting procedures vary according to respective fields. Legal acts are usually adopted by ordinary legislative procedure involving the European Commission, the Council of the European Union and the European Parliament.

**EUGBS EU Green Bond Standard**

A voluntary standard under development, based on established market practices (Green Bond Framework, Second Party Opinion, reporting), set to act as a gold standard for green bonds in the EU. The EUGBS is aligned with taxonomy criteria and environmental objectives; compliant issuers will be allowed to use this label. Comprehensive reporting and evaluation processes are designed to ensure that the funds raised via green bonds are only used to finance green taxonomy-aligned projects.



**EURIBOR** European Interbank Offered Rate

Reference interest rate published by the → [EMMI](#). EURIBOR is based on average interest rates at which euro area banks lend unsecured funds to other banks in the European wholesale market (or interbank market). In 2019, the EMMI gradually adopted a hybrid calculation method for EURIBOR to meet the requirements of the → [BENCHMARK REGULATION](#), and registered EURIBOR as a permissible benchmark.





## F

**FATCA** Foreign Account Tax Compliance Act

US Act on the introduction of a bilateral information exchange between the US and other countries concerning US tax payers.

**UPDATED** **FATF** Financial Action Task Force

International body established for combating money laundering, terrorist financing as well as other threats to the integrity of the international financial system. The FATF currently comprises 37 member states and two regional organisations.

**FBA** Claim to remedial action under German law

*Folgenbeseitigungsanspruch* – a claim to remedy the consequences of unlawful action. A claim that does not seek compensatory damages, but to the actual reversal of the consequences of the violation.

**FIA** Futures Industry Association

International association for futures, options and centrally-cleared derivatives, with offices in Brussels, London, Singapore, and Washington, D.C.

**FIN-NET** Cross-Border Out-of-Court Complaints Network for Financial Services in the European Economic Area

Cross-border European network for out-of-court dispute resolution in the financial services sector. More than 50 national conciliation bodies in the European Economic Area are part of this network. Its objective is to overcome problems which may arise due to the different legal systems in Europe, especially when processing cross-border complaints.

**FINREP** Financial Reporting

Regulation on standardised financial reporting to supervisory authorities.

**NEW** **FinTS** Financial Transaction Services

A technical online banking standard developed by the German Banking Industry Committee. Successor to the home banking computer interface standard (HBCI). Customers wishing to communicate with their bank via FinTS need software on their computer or a FinTS-capable app. Communication between banks and savings banks and retail customers is frequently based on the standard.

**FIU** Financial Intelligence Unit

As the German central body for financial transaction investigations, the FIU is responsible for receiving, collecting and analysing reports of suspicious financial transactions that may be linked to money laundering or terrorist financing. The FIU was established in 2017, under the umbrella of the German General Directorate of Customs. With its increased powers as an intelligence institution, it contributes to preventing money laundering and terrorist financing by means of targeted analysis, thereby reducing the burden in particular on law enforcement authorities.

**FSB** Financial Stability Board

The FSB is an international organisation that monitors the global financial system and is hosted by [→BIS](#) in Basle.

**FTT** Financial Transaction Tax

Financial transaction tax for the taxation of financial transactions entered into, on or off-exchange. It may be levied on shares, bonds and other securities and derivatives. Some [→ EU](#) member states levy national financial transaction taxes. Within the scope of enhanced cooperation, ten EU member states have agreed to establish a common, harmonised FTT.



# G

## **GBP** Green Bond Principles

An initiative introduced by market participants who voluntarily committed to adhere to a specific process for the issuance of green bonds. The main focus of the GBP is on creating transparency regarding the 'green' assets or projects funded through a green bond issue, as well as on regular reporting. The GBP were initiated by the → [ICMA](#). Please also see → [EU-GBS](#).

## **GLEIF** Global Legal Entity Identifier Foundation

Supranational non-profit foundation headquartered in Basle; founded by the Financial Stability Board (→ [FSB](#)) in June 2014 with the aim to promote the implementation and use of Legal Entity Identifiers (→ [LEI](#)). The LEI Regulatory Oversight Committee (LEIROC) – composed of public officials from around the world striving to improve transparency on the international financial markets – supports and supervises the foundation.

## **NEW** **giroAPI** giro Application Programming Interface

An interface developed by the German Banking Industry Committee and provided by the banks. Allows other banks and third parties to use bank services which go beyond the scope of PSD2, and is compatible with various business models. A giroAPI Agreement between the associations – structuring services offered, their use, and management – is scheduled for 2024.



**G-SII** **Global Systemically Important Institution**

The collapse of a global systemically important institution would compromise the global financial system. Competent regulatory authorities determine which institutions are G-SIIs each year, based on specific criteria (size, cross-border activities, network integration with the financial system, substitutability and complexity). In particular, G-SIIs must comply with stricter capital requirements, in order to enhance their capacity to absorb losses.



# H

## **HGB** German Commercial Code

German commercial law regulations which, in addition to requirements for all merchants, also include supplementary statutory regulations, e.g. for corporations and credit institutions. It is authoritative for annual and consolidated financial statements as well as for (group) management reports and audits thereon.

## **IASB** International Accounting Standards Board

Independent, private-sector body based in London that develops and adopts the International Financial Reporting Standards (→ [IFRS](#)). It also approves the IFRIC interpretations for the application of IFRS. The IFRS set the principles according to which companies prepare their financial statements for international capital markets.

## **UPDATED** **ICAAP** Internal Capital Adequacy Assessment Process

Bank-internal process to safeguard an institution's risk-bearing capacity. Institutions are required to identify and monitor their material risks, covering them with adequate capitalisation. The regulatory ICAAP review is a key component of the → [SREP](#). → [ILAAP](#)

## **ICMA** International Capital Markets Association

Based in London, the ICMA represents the interests of various international private and public financial market participants (national banks, financial institutions, rating agencies, central depositories, or law firms, for example).



**IDW** **Institut der Wirtschaftsprüfer in Deutschland e. V.**

The IDW (Institute of Public Auditors in Germany) is a Düsseldorf-based association, the voluntary members of which are auditors and audit companies. Its expert committees, including the Banking Committee (Bankenfachausschuss – “BFA”), draw up pronouncements and position papers with a professional opinion on accounting and auditing issues.

**IFRS** **International Financial Reporting Standards**

International accounting standards for companies, published by the International Accounting Standards Board (→ [IASB](#)). IFRS ensure internationally comparable financial and consolidated financial statements, regardless of national rules of law (→ [HGB](#)). Reporting in accordance with IFRS is mandatory in numerous countries, at least for listed companies.

**IFR/MIF Regulation** **Interchange Fee Regulation**

Regulation of the European Parliament (→ [EP](#)) and of the Council on interchange fees for card-based payment transactions, dated 29 April 2015.

**ILAAP** **Internal Liquidity Adequacy Assessment Process**

Internal process to safeguard an institution's appropriate liquidity level, comprising funding planning and stress testing. The regulatory ILAAP review is a key component of the → [SREP](#). → [ICAAP](#)

**IOSCO** **International Organization of Securities Commissions**

International organisation of securities regulators. Sets global standards for securities regulation in cooperation with G20 and the → [FSB](#).

**NEW IRBA Internal Ratings-Based Approach**

→ **RWA** calculation method for credit risks, allowing banks – subject to supervisory approval – to use risk parameters (PD, LGD and CCF) estimated via internal rating procedures.

**IRS Internal Revenue Service**

The Internal Revenue Service is the United States of America's federal tax authority; it reports to the Department of the Treasury.

**IRT Internal Resolution Team**

A team comprising members of the → **SRB** and national resolution authority staff who, within the framework of → **SRM**, are in charge of supervising an → **SI** or cross-border institution. IRTs are mainly responsible for developing resolution plans for institutions.

**ISDA International Swaps and Derivatives Association**

Industry association whose members are → **OTC** derivatives market participants. The association's aim is to make OTC derivatives trading more efficient. ISDA is well-known for the ISDA Master Agreements which it develops and publishes, thus laying out fundamental contractual obligations between the parties involved. The association is headquartered in New York.

**ISIN International Securities Identification Number**

12-character alphanumeric code for the identification of a security (→ **WKN**).

**ISLA International Securities Lending Association**

International association dedicated to representing its members in securities lending transactions. ISLA publishes the Global Master Securities Lending Agreement (GMSLA), an international standard on the documentation of securities lending.



**ISO** **International Organization for Standardisation**

International association of standardisation organisations which develops standards in all areas, and – increasingly – in the securities business (the → [ISIN](#) structure is outlined in ISO 6166).

**NEW** **ISSB** **International Sustainability Standards Board**

IFRS Foundation committee responsible for publishing sustainability reporting standards for companies.

**ITS** **Implementing Technical Standards**

Technical implementation standards issued under explicit authorisation from the European Commission, with the aim of ensuring uniform application of certain provisions in the underlying act; the drafts are provided by the European Supervisory Authorities (→ [ESAS](#)).





# J

## **JC** Joint Committee

Joint forum of cooperation between the three → [ESAS](#).

## **JST** Joint Supervisory Team

A joint supervisory team comprising staff from the → [ECB](#) and national supervisory authorities, tasked with the supervision of a significant institution within the → [SSM](#). The main task of JSTs is to ensure implementation of the → [SREP](#).

## **JURI** Committee on Legal Affairs

The Committee on Legal Affairs of the European Parliament is one of the 20 specialised committees of the → [EP](#). Among other things, it is responsible for drafting legal acts of the → [EU](#) in the areas of civil and commercial law, company law and procedural law. Furthermore, the Committee's responsibilities lie in the interpretation, application and monitoring of Union law.

# K

## **KID** Key Information Document

Pre-contractual key information documents, to be written in such a language that private investors understand and can compare the essential characteristics and risks of → [PRIIPs](#).

→ [PRIIPs REGULATION](#)

## **KYC** Know your Customer

Mandatory identity verification for important new customers, aimed at preventing money laundering.

**LCR** Liquidity Coverage Ratio

Indicator established under Basel III for measuring a bank's short-term available liquidity. The LCR is designed to ensure that a bank is in a position to endure a severe stress scenario over a period of 30 calendar days without external help. The indicator describes the ratio of highly liquid assets held by a bank compared to its (anticipated) net cash outflows over the next 30 days.

**LEI** Legal Entity Identifier

Code for the identification of companies. Required, for example, for reports in accordance with → [EMIR](#), → [SFTR](#) and → [MiFIR](#), and for securities issuances.

**NEW** **LKSG** German Act on Corporate Due Diligence in Supply Chains

Companies (in all sectors) subject to the German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz – “LKSG”) are required to comply with social and environmental corporate due diligence duties within their own business processes and regarding direct suppliers, and must also establish necessary risk management processes.

**LR** Leverage Ratio

The leverage ratio sets regulatory tier 1 capital (numerator) in relation to total risk exposure (denominator). Balance sheet items are measured in accordance with the accounting standard applicable to the respective institution. The leverage ratio is intended to supplement the risk-weighted capital ratios as a ‘backstop’, and must amount to at least 3%.

**LSI** Less Significant Institution

Term used to distinguish institutions subject to direct → ECB supervision from those indirectly supervised by the → ECB.  
→ SI

**LTF** Long-Term Finance

Providing funding for projects or similar endeavours over a longer period of time.

**LTRO** Longer-Term Refinancing Operation

Open market operation in the Eurosystem that provides central bank money to banks for a longer maturity than the main refinancing operations. During the course of the financial and sovereign debt crisis, the Eurosystem began offering operations with other maturities – for example, between one year and more (up to four years) – in addition to these traditional longer-term refinancing operations.



# M

## **MAD** Market Abuse Directive

Largely replaced by the → [MAR](#). The new directive → [CRIM-MAD](#) regulates (only) the penal sanctions framework for market abuse.

## **MAR** Market Abuse Regulation

The Market Abuse Regulation outlaws insider dealing and market manipulation for all financial markets instruments traded on financial markets (→ [MTF](#), → [OTF](#), → [RM](#)), for derivatives based on these instruments, and attempted insider dealing and attempted market manipulation. It also covers any amendments or cancellations of existing orders on the basis of inside information.

## **MaRisk** Minimum Requirements for Risk Management

General requirements for adequate and effective institutional risk management in accordance with section 25a of the KWG. Includes the national implementation of numerous Pillar 2 requirements set out by → [EBA](#) and → [BCBS](#).

## **MiFID** Markets in Financial Instruments Directive

MiFID contains comprehensive provisions for the harmonisation of financial markets in the → [EU](#).

## **MiFID II** Markets in Financial Instruments Directive II

MiFID II comprises more detailed provisions to enhance the transparency, efficiency and integrity of financial markets, and to strengthen investor protection within the → [EU](#).

## **MiFIR** Markets in Financial Instruments Regulation

MiFIR comprises provisions to enhance the transparency of the financial markets within the → [EU](#). These provisions are directly legally applicable in all EU member states.

**MMSR** Money Markets Statistics Regulation

The ECB's money market statistics regulation deals with transactions involving secured and unsecured money market swaps, as well as foreign exchange swaps and → [EONIA](#) swaps concluded by domestic Monetary Financial Institutions (MFIs), with the exception of money market funds. MMSR calls for transactions with other MFIs, other financial institutions (OFIs), insurance companies, pension funds, the government, central banks (excluding open market operations and standing facilities) or non-financial corporations classified as large customers under the Basel III LCR framework, to be reported. Deutsche Bundesbank has expanded the scope of the reporting agents under authorisation from the ECB regulation.

**MoU** Memorandum of Understanding

An agreement outlining the key features of a collaboration or of a contract yet to be concluded. As they do not require ratification, MoUs are popular in public international law. In accordance with → [EMIR](#), recognition of third-country CCPs, for example, requires an MoU between → [ESMA](#) and the → [NCAS](#).

**MREL** Minimum Requirements for Own Funds and Eligible Liabilities

Since 2016, MREL has defined the requirements for all banks within the EU, pursuant to the → [BRRD](#), to maintain liabilities (over and above their own funds) from 2016 onwards, which may be written off or converted into equity (bail-in) in the event of a resolution, in a timely manner. The MREL requirement is stated as a quota, and determined for each institution on a case-by-case basis by the competent resolution authority. → [SRB](#)



**MRO** **Main Refinancing Operation**

Weekly open market operations executed by the Eurosystem, with a one-week maturity.

**MTF** **Multilateral Trading Facility**

Trading venue which brings together buying and selling orders in shares and other financial instruments in accordance with defined rules. → [OTF](#), → [RM](#)



# N

## **NCA** National Competent Authority

Competent regulatory authority in a EU member state. In Germany, this usually refers to the Federal Financial Supervisory Authority (BaFin).

## **NEW** **NFC** Near-Field Communication

International transmission standard for contactless data exchange via electromagnetic induction based on radio frequency identification (RFID). Data transmission usually takes place within a few centimetres only, and at a low transmission rate.

## **NGFS** Network for Greening the Financial System

International network of central banks and regulatory authorities, endorsing a sustainable financial system. Members include Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin).

## **NIS** Network and Information Security

EU directive to ensure a high level of network and information security. NIS sets requirements for the security level of IT infrastructures deemed critical, as well as for incident reporting.

## **NPE** Non-Performing Exposures

Exposures classified as non-performing in accordance with Annex V of Implementing Regulation (EU) No. 2021/451. This may not only refer to loans but also to debt securities and revocable and irrevocable loan commitments.

**NPL** **Non-Performing Loans**

A loan is considered as non-performing if its repayment is deemed unlikely, or if a material liability of a borrower is at least 90 days past due, and the bank is thus required to recognise specific loss allowance.

**NRA** **National Resolution Authority**

Resolution authority of an EU member state responsible for bank resolution. In Germany, this is the Federal Financial Supervisory Authority (BaFin).

**NSFR** **Net Stable Funding Ratio**

The purpose of this indicator, which measures a bank's funding structure, is to ensure that banks refinance their long-term lending business using funds available to them for more than one year. NSFR is defined as the amount of available stable funding, relative to the amount of required stable funding, weighted in accordance with how long liquidity is tied up. Available stable funding is defined as being available for at least one year. The minimum quota is 100%. The NSFR rules are to be implemented with the CRR II in the → EU.

**NZU Survey** **Low interest rate environment survey**

*Niedrigzinsumfeldumfrage*. Survey on the situation of the less significant German banks in the low interest rate environment.



**OCR Overall Capital Requirement**

Overall capital requirement, defined as the sum of the total → [SREP](#) capital requirement (→ [TSCR](#)) and the buffer requirements (→ [CBR](#)) for various purposes, without taking the target equity ratio (→ [P2G](#)) into account.

**ODR Online Dispute Resolution**

Out-of-court dispute resolution carried out online via a web-based platform run by the European Commission, to enable consumers and traders, both resident in the → [EU](#), to resolve contractual disputes concerning online purchases of goods and services.

**OECD Organisation for Economic Co-operation and Development**

The OECD, headquartered in Paris, is a group of 34 countries that promotes political, economic and social improvement in its member states

**OFAC Office of Foreign Assets Control**

Hosted by the US Department of the Treasury, the OFAC is responsible for administering and enforcing US sanctions.

**OMT Outright Monetary Transactions**

Sovereign bonds purchasing programme of the Eurosystem. Under this programme, the Eurosystem may purchase bonds issued by certain euro area countries on the secondary market. The size of the programme is unlimited. However, OMT countries are subject to the conditions of the → [ESM](#).

**O-SII Other Systemically Important Institution**

An O-SII is an institution whose collapse would compromise the European or a national financial system. Each year, the competent authorities determine the institutions to be



classified as ‘otherwise systemically relevant’ on the basis of certain criteria (size, economic importance for the EU economic area and the respective EU member state, cross-border activities and interconnectedness with the financial system). In particular, O-SIIs must comply with stricter capital requirements, in order to enhance their capacity to absorb losses.

**OTC** Over the Counter

Off-exchange trading in financial instruments which are not executed on a trading venue (→ [RM](#), → [MTF](#), → [OTF](#)) within the meaning of → [MIFID](#) or on a market in a third country which is regarded as equivalent to a market pursuant to MiFID.

**OTF** Organised Trading Facility

Trading venue operated in accordance with → [MIFID II](#) by an investment firm and a market operator (unregulated market or a → [MTF](#)) where the interests of numerous third parties to buy or sell financial instruments are brought together within the system. → [RM](#)



# P

## **Payment service**

Pursuant to the ZAG, and derived from the PSD 2, payment services refer to all incoming and outgoing payment transactions, the payment services business in form of direct debits and payment transfers, as well as in the form of the payment card business with and without loan granting, the payment authentication business, digitalised payment services, and money or value transfer services.

## **PEP Politically Exposed Person**

In accordance with the provisions stated in the legislation on combating money laundering and terrorist financing, enhanced due diligence is required for such persons. → [CDD](#)

## **PEPP Pandemic Emergency Purchase Programme**

Temporary asset purchase programme launched by the → [ECB](#) in March 2020 to purchase bonds issued by public and private borrowers, as already done under the → [APP](#). The ECB's Governing Council terminated net purchases under the PEPP in December 2021. The maturing principal payments from securities purchased under the PEPP can be reinvested flexibly until the end of 2024 to counteract any risks associated with the pandemic.

## **PIS Product Information Sheet**

Statutory basic information on financial instruments within the scope of advisory services to retail customers, which needs to be handed out to the customer in good time before the transaction is closed. Its goal is to give private investors an overview of the material risks and opportunities of a specific banking product so that they can quickly capture the material characteristics of the financial product and compare different investment products more easily.

**PRB Principles for Responsible Banking**

Six principles intended to align the banking sector with the United Nations' Sustainable Development Goals and the Paris Climate Agreement 2015. Their purpose is to provide a single framework for the banking sector to strengthen sustainability on a strategic, portfolio and transactional level, and across all business areas.

**PRIIPs Packaged Retail and Insurance-based Investment Products**

Packaged retail investment products and insurance-based investment products subject to investment risk. Within the meaning of the → [PRIIPS REGULATION](#), investment products and contracts are considered 'packaged' if the customers' money is invested indirectly on the capital market instead of directly, or if their repayment claim is linked to the performance of certain securities or benchmarks in a different way. PRIIPs include structured financial products (including warrants that are packaged in insurance policies, securities or banking products), derivatives, open-ended and closed-end funds, and investment-type insurance products (including capital-forming and fund-based life insurance policies).

**PRIIPs Regulation EU regulation on Key Information Documents for PRIIPs**

This EU regulation of 2016 introduced Key Information Documents (KIDs) for certain investment products (→ [PRIIPs](#)). It contains provisions concerning form and content for KIDs as well as comprehensive information requirements, including information on the risks of the particular investment product, its potential yields and losses, performance scenarios and costs. The regulation aims to enhance investor protection and to foster retail investors' confidence in the financial markets by promoting a higher level of transparency.

**PSD Payment Services Directive**

The EU Payment Services Directive sets out the regulatory requirements for providers of payment services ('payment services



providers'), such as payment transfers, direct debits and card-based payments, as well as civil-law requirements for the contract regarding payment services between banks and customer (payment services framework contract). The second Payment Services Directive (PSD 2, which came into effect in 2016) supplements the provisions stated in the PSD; the former includes new types of payment services (payment initiation and account information) which are executed by third-party providers via access to customers' accounts.

**NEW** **PSI** **Institution posing a potential systemic risk**

Such institutions are identified by the German Federal Financial Supervisory Authority (BaFin) in agreement with Deutsche Bundesbank, and are subject to stricter monitoring as regards certain regulatory requirements. → [G-SII](#), → [O-SII](#)

**NEW** **PSP** **Payment Services Providers**

In accordance with the PSD2, or the German Act on the Supervision of Payment Services (Zahlungsdiensteaufsichtsgesetz – “ZAG”), payment services providers are institutions subject to the CRR / the German Banking Act (deposit-taking banks), e-money institutions, payment institutions (‘ZAG institutions’), the → [ECB](#), Deutsche Bundesbank, other central banks within the → [EU](#), as well as the Federal Government, the Federal States, municipalities and public-sector administrations, to the extent that these bodies provide payment services.

**PSPP** **Public Sector Purchase Programme**

Programme for the purchase of public-sector securities. The central banks of the Eurosystem have been buying public-sector securities – such as sovereign bonds and debt instruments issued by European institutions and agencies – since March 2015.

**P2G** **Pillar 2 Guidance**

Own funds recommendation under Pillar 2 in accordance



with section 6d of the KWG, setting out a capital buffer to ensure that capital requirements are met even in times of stress. The P2G is determined on an individual basis as part of the → [SREP](#); however, it is not legally binding. In Germany, P2G is also referred to as *Eigenmittelzielkennziffer* (→ [EMZK](#)).

#### UPDATED **P2R** Pillar 2 Requirements

Additional own funds requirements under Pillar 2 in accordance with section 6c of the KWG. The P2R cover those risks that are not (or not sufficiently) covered by the minimum capital requirement under Pillar 1 (→ [CRR](#)), and are determined on an individual basis as part of the → [SREP](#).



#### UPDATED **Q&A** Questions & Answers

→ [ESAS](#) publish Q&A lists to ensure a uniform interpretation of EU supervisory law by → [NCAS](#) and market participants. NCAs and the EU Commission also adopt Q&A lists at times.

#### **QE** Quantitative Easing

A monetary policy measure aimed at lowering long-term interest rates, and channelling additional liquidity into the banking system. Quantitative easing is a measure in which the central bank purchases a large amount of bonds, especially long-term government bonds; in general, this leads to a rise in bond prices and a reduction of the corresponding yields, which in turn impacts the overall interest rate levels on the bond market. Central banks especially pursue quantitative easing when short-term interest rates are already approaching zero. The purchase of bonds creates central bank money, thus increasing the quantity of central bank money in the system – hence the term quantitative easing (as opposed to a monetary policy easing induced by the reduction of key interest rates).



# R

## **RBC** Risk-Bearing Capacity

From an economic perspective, risk-bearing capacity is given if the capital provided for loss absorption is sufficient to cover material risks. From a normative perspective, implemented mainly via capital planning, all regulatory and supervisory requirements must be met. Risk-bearing capacity is determined through the → [ICAAP](#).

## **NEW** **RDT Agreement** Remote Data Transfer Agreement

The five member associations of the German Banking Industry Committee and Deutsche Bundesbank signed the RDT Agreement, requiring the members of the associations and Deutsche Bundesbank to comply with the → [EBICS](#) standard.

## **REA** Risk Exposure Amount

Risk-weighted exposure value.

## **RM** Regulated Market

Regulated market or trading venue regulated by law.

→ [MTF](#), → [OTF](#)

## **RoA** Return on Assets

Bank management indicator used to assess the profitability of an institution. It sets the quarterly or annual profit in relation to assets carried in the financial statements.

## **RoE** Return on Equity

RoE is a bank management indicator used to assess the profitability of an institution. It sets the quarterly or annual profit in relation to equity as reported in the financial statements.

**NEW RTP Request to Pay**

RTPs are electronic payment requests, sent electronically from the payee to the payer. The payer may reject or accept the payment request, using the RTP to create an electronic payment transfer. → [EPC](#) is responsible for standardising RTPs.

**RTS Regulatory Technical Standards**

Technical standards issued under explicit authorisation from the European Commission. Drafts are provided by the → [ESAS](#).

**RWA Risk-Weighted Assets**

An important parameter for determining the minimum capital requirements of banks. Certain methods are available for determining RWAs for the individual risk types. In the area of credit risk, RWAs are calculated by multiplying the exposure value by the risk weighting, which reflects the risk of the exposure or debtor. For off-balance sheet exposures, the nominal amount must be multiplied by a credit conversion factor (CCF) to determine the exposure value. Minimum capital requirements are determined by multiplying RWAs with applicable capital ratios.





# S

## **SA-CCR** Standardised approach to counterparty credit risk

The SA-CCR is used to identify risk exposures in over-the-counter (→ **OTC**) derivatives, exchange-traded derivatives, and long-settlement derivative transactions, as well as associated capital requirements.

## **NEW** **SCA** Strong Customer Authentication

The requirement of strong customer authentication was included in the Payment Services Directive 2 (PSD2) to increase security of payment services, aiming to reduce the risk of fraud, or other misuse, in payment services. Strong customer authentication stipulates the use of at least two independent elements, categorised as knowledge (e.g. password, code, PIN), possession (e.g. token, smartphone, signature card), or inherence (e.g. biometric characteristics such as fingerprints, voice detection).

## **NEW** **SCT** SEPA Credit Transfer

When making a → **SEPA** Credit Transfer (SCT), a payer orders their bank to transfer a certain amount of money from their payment account (current account) to the beneficiary's account – within the SEPA. SCTs can be executed via templates, electronically via files, or via online banking. → **EPC** is responsible for standardising the SEPA mechanism.

## **NEW** **SCT Inst** SEPA Instant Credit Transfer

Instant payments (SCT Inst) are → **SEPA** transfers executed within ten seconds and made available to the beneficiary immediately. Currently, the maximum amount for these transactions is €100,000. → **EPC** is responsible for standardising the SEPA mechanism.

**SDD** SEPA Direct Debit

→ **SEPA** Direct Debit (SDD) is a cashless payment instrument, in which the beneficiary charges the payer's account with a specific amount, using a bank as an intermediary. Direct debits are typically used for payments which are either irregular or vary in amount. In contrast to payment transfers, the direct debit payment process is triggered by the beneficiary, who has obtained the payer's consent (mandate) in advance. In the event that the payer does not agree with the account debiting, they can reject the debit within certain time limits. → **EPC** is responsible for standardising the SEPA mechanism.

**SDG** Sustainable Development Goals

The UN's 2030 Agenda for Sustainable Development has at its core the 17 Sustainable Development Goals (SDGs), which define the social objectives to be reached via sustainable investments.

**SEPA** Single Euro Payments Area

The implementation of SEPA, the single euro payments area, also led to the introduction of new, uniform processes for cashless payment transactions (payment transfers, direct debits) in Germany and across Europe. The applicable legal basis is the SEPA Regulation, which became effective in 2012 and made all national procedures for payment transfers and direct debits obsolete as of 1 February 2014. Since then, the SEPA payment procedures of the European Payments Council (→ **EPC**) have been mandatory for payment transfers and direct debits issued by customers and banks. The SEPA harmonises the way cashless euro payments are made across Europe. SEPA covers the whole of the EU, European Economic Area (EEA) and some non-EEA countries such as the UK and Switzerland. See the full [LIST OF SEPA COUNTRIES](#). The United Kingdom of Great Britain and Northern Ireland left the European Union at the end of January 31, 2020 (transition period until December 31, 2020), which means that it is now to be regarded as a third country.

**SEPA Agreement** **Single Euro Payments Area Agreement**

The five member associations of the German Banking Industry Committee and Deutsche Bundesbank signed three SEPA Agreements – namely the SEPA Domestic Instant Payment Agreement, the SEPA Domestic Payment Agreement, and the SEPA Domestic Direct Debit Agreement – requiring the members of the associations and Deutsche Bundesbank to comply with the → [SEPA](#) standard.

**SFDR** **Sustainable Finance Disclosure Regulation**

This Regulation – aiming to improve transparency regarding the inclusion of sustainability factors when taking investment decisions or providing investment advice – stipulates various requirements to be complied, inter alia, with by investment firms providing portfolio management.

**SFT** **Securities Financing Transactions**

Examples are repos (repurchase agreements) or securities lending.

**SFTR** **Securities Financing Transactions Regulation**

The Securities Financing Transactions Regulation contains provisions on the reporting of → [SFTS](#), in order to create transparency and on the re-use of securities received as collateral.

**SI** **Significant Institution**

Term used to distinguish direct supervision from indirect supervision by the → [ECB](#). → [LSI](#)

**SI** **Systematic Internaliser**

SIs are investment services enterprises which – on a regular, organised and systematic basis – trade for their own account by executing customer orders outside a trading venue within the meaning of → [MIFID II](#).

**SMP** **Securities Markets Programme**

Programme for the purchase of bonds – in particular government bonds – on the secondary market. The programme was authorised by the Governing Council of the ECB in May 2010, and replaced by the → [OMT](#) programme in September 2012.

**NEW** **SOFR** **Secured Overnight Financing Rate**

Interest rate published by the Federal Reserve Bank of New York. Average interest rate for secured loans issued in US dollars (USD) with a maturity of one day (overnight). The SOFR is an alternative to the US LIBOR rate, and a risk-free rate within the meaning of the → [BENCHMARK REGULATION](#).

**NEW** **SONIA** **Sterling Overnight Index Average**

Interest rate administered by the Bank of England; reference rate for indexed overnight swaps for unsecured transactions on the Pound Sterling (GBP) market, and a risk-free rate within the meaning of the → [BENCHMARK REGULATION](#).

**SRB** **Single Resolution Board**

The Brussels-based SRB is the competent resolution authority under the → [SRM](#). The SRB's key tasks are drawing up resolution plans, setting the → [MREL](#), preparing resolution actions, and managing the EU Single Resolution Fund (for which the bank levy is charged).

**SREP** **Supervisory Review and Evaluation Process**

Within the scope of the SREP, supervisory authorities assess an institution's business model, corporate governance structures, and the adequacy of capital and liquidity held, on a regular basis, thus deriving, for example, the → [P2R](#) and the → [P2G](#). → [ICAAP](#), → [ILAAP](#)

**SRF** Single Resolution Fund

If the loss-absorbing capacity of a credit institution via a bail-in should not suffice for funding the resolution proceedings within the scope of the → [SRM](#), SRF is the second line of defence. The target volume of the SRF is to cover at least 1% of the covered deposits of all institutions within the SRM by the end of 2023, through annual contributions collected in advance. The SRF replaces the national bank levy and is administered by the → [SRB](#).

**SRM** Single Resolution Mechanism

Central institution for bank resolution in the EU. The SRM is based on the requirements set out by the [BRRD](#) for the recovery and resolution of institutions; the core concept is to establish a joint institutional framework for participating member states. The SRM is the second pillar of the Banking Union; it is governed by the → [SRB](#).

**SRP** Supervisory Review Process

The supervisory review process is the core of the second pillar of Basel IV. It covers the → [ICAAP](#) and the → [ILAAP](#), which address institutions, and the → [SREP](#), which concerns the supervisory authorities.

**SSB** Single Supervisory Board

The SSB was established in the course of the → [SSM](#) within the → [ECB](#); it meets to plan, discuss and carry out the ECB's banking supervisory tasks. The SSB submits corresponding draft decisions to the ECB Governing Council.

**SSM** Single Supervisory Mechanism

The SSM constitutes the framework for a uniform European banking supervision system, and is comprised of all euro area countries. The SSM represents the first pillar of the Banking Union; it is governed by the → [ECB](#).

**STE** Short-Term Exercise

Structured, regular data collection by the → [ECB](#) within the scope of the → [SSM](#) as an addition to regular reporting for the purposes of the → [SREP](#).

**UPDATED** **STS** Simple, Transparent and Standardised Securitisations

Securitisation exposures are considered 'simple, transparent and standardised' if they comply with certain requirements set out in the EU Securitisation Regulation (STS Regulation). Capital requirements for STS were lowered with the → [CRR AMENDMENT REGULATION](#). However, specific requirements apply to 'true sale' and synthetic securitisations, and to → [ABCP](#).



# T

## **TARGET2** Trans-European Automated Real-time Gross Settlement Express Transfer System

Eurosystem platform for secure and fast settlement of electronic individual euro payment transactions within the European Union, and for settlement in central bank money. TARGET2 balances are claims (positive TARGET2 balance) or liabilities (negative TARGET2 balance) of a national central bank vis-à-vis the → ECB – these are incurred when commercial banks settle cross-border transactions in central bank money via TARGET2.

## **Target equity ratio**

Own funds recommendation under Pillar 2 in accordance with section 6d of the KWG, setting out a capital buffer to ensure that capital requirements are met even in times of stress. It is determined on an individual basis as part of the → SREP; however, it is not legally binding. At a European level, the target equity ratio is also referred to as Pillar 2 Guidance (→ P2G).

## **T2S** TARGET2-Securities

Technical platform offered by the Eurosystem for harmonised securities settlement, coordinated by the → ECB. Provides European banks with a single technical platform for a domestic EU securities settlement market.

## **TCFD** Task Force on Climate-related Financial Disclosures

Expert group installed by the G20's Financial Stability Board. The TCFD has developed recommendations for voluntary climate-related reporting. These TCFD recommendations were taken into account when the Accounting Directive was revised.

**TIBER-EU** Threat Intelligence-based Ethical Red Teaming in Europe

In 2018, the central banks within the European System of Central Banks adopted TIBER-EU, a framework on 'threat-led penetration tests'. This framework sets out rules and minimum standards under which enterprises can have their cyber resilience reviewed by ethical hackers. National implementation in Germany is organised by Deutsche Bundesbank in coordination with BaFin.

**TLAC** Total Loss-Absorbing Capacity

TLAC refers to the → FSB's recommendation for all → G-SIIS to maintain liabilities (over and above their own funds) which may be written off or converted into equity (bail-in) in the event of a resolution.

**TLTRO** Targeted Longer-Term Refinancing Operations

Modified longer-term Eurosystem operations providing financing to credit institutions. The amount of the loans granted depends on each bank's outstanding lending volume to the non-financial private sector.

**TR** Trade Repository

A Trade Repository is a service provider recognised by → ESMA. It provides registers for records of derivatives transactions (mandatory as per → EMIR) and securities financing transactions (mandatory as per → SFTR).

**TSCR** Total SREP Capital Requirements

Total capital requirements as set forth by the banking supervisory authority within the → SREP framework, therefore including minimum regulatory capital requirements (→ CRR) and → P2R. → OCR





# U

## **UCITS** Undertakings for the Collective Investment in Transferable Securities

Internationally used term for Undertakings for Collective Investment in Transferable Securities (UCITS). → [UCITS](#)

## **UNEP FI** UNEP Finance Initiative

Partnership between the United Nations and the global financial sector established in the wake of the 1992 Earth Summit, with the aim of promoting sustainable finance. The work of the UNEP FI includes fostering dialogue on → [ESG](#)-related topics on an international and national level – between finance practitioners, supervisory authorities, regulators, and policy-makers.

## **UPI** Unique Product Identifier

Code for classifying derivative products according to their properties for subsequent reporting as required by → [EMIR](#).

## **UTI** Unique Trade Identifier

Code for identifying a particular transaction for subsequent reporting, as required by → [EMIR](#) and → [SFTR](#).

# W

## **WKN** German Securities Identification Number

Wertpapierkennnummer – German six-character alphanumeric code for the identification of a security.

## **WM** Wertpapiermitteilungen

German organisation, headquartered in Frankfurt/Main, responsible for assigning German securities identification numbers and → [LEI](#). → [WKN](#), → [ISIN](#)



# Z

## **ZAIT** Supervisory Requirements for IT in Payment Services

In addition to the Minimum Requirements for Risk Management in banks (MaRisk), the ZAIT provide an interpretation of, and substantiate the supervisory requirements for, payment services pursuant to the KWG and ZAG on the one hand, and the supervisory requirements for IT infrastructures and payment services players as set out in EU guidelines, for example by → [EBA](#), on the other.

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