Regulation of Banks and Financial Markets in Europe – Glossary

FEBRUARY 2019
Acknowledgments due to
Ralf Lemster Financial Translations GmbH
for their support in the creation of this glossary
**GLOSSARY**

**ABCP**  
Asset-Backed Commercial Paper  
Short-term asset-backed security, for which a sponsoring bank usually 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”).

**ABSPP**  
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 (QE).

**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).
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**AIFMD** | **Alternative Investment Fund Managers Directive (AIFM Directive)**
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EU directive that regulates investment fund managers not covered by the UCITS Directive. → **UCITS V**

**AML/AMLD** | **Anti-Money Laundering/Anti-Money Laundering Directive**
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The fifth EU directive to combat money laundering was published in June 2018.

**AnaCredit** | **Analytical Credit Datasets**
---|---
Central credit database for monetary policy and regulatory purposes that the → **ECB** aimed to fully establish (under a corresponding order) by September 2018.

**APP** | **Asset Purchase Programme**
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Asset Purchase Programme that was adopted by the Governing Council of the ECB in early 2015. At the outset, the APP consisted of three components: → **CBPP** (implemented in October 2014), → **ABSPP** (implemented in November 2014) and → **PSPP** (implemented in March 2015). The → **CSPP** component was added in June 2016.

**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**
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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).
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 Basel.

BCM  Business Continuity Management
Scheme or concept designed to safeguard the continued operation of a bank and of its business processes in case of emergency.

Benchmark Regulation
EU regulation designed to protect investors and market integrity by ensuring that benchmarks used in the → EU are robust, reliable and not manipulatable.
**BEPS**  **Base Erosion and Profit Shifting**
The BEPS project of the → OECD aims to combat or prevent tax evasion.

**BIS**  **Bank for International Settlements**
Has the task of promoting collaboration between central banks, and facilitating international settlements. BIS is headquartered in Basle, where the Basel Committee on Banking Supervision(→ BCBS) is also based.

**BoS**  **Board of Supervisors**
Board of Supervisors of the European Banking Authority(→ EBA). 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
**CA**  **Competent Authority**
Generic term for the national supervisory authorities and the European Central Bank. → NCA

**CA**  **Comprehensive Assessment**
The CA comprises two main pillars: the → AQR and the regulatory stress test.

**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 IV (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 their 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
Central counterparty. Company authorised by → ESMA to clear derivative contracts.

**CDD**  Customer Due Diligence
General due diligence obligations (combating money laundering) which refer to the detailed monitoring of business transactions and clients. These due diligence requirements include, in particular: identifying the business partner; collecting information regarding the purpose and desired type of business relationship; determining the ultimate beneficial owner (and, if applicable, his/her identification); ongoing monitoring of a business relationship, including associated transactions. The Fourth Anti-Money Laundering Directive distinguishes between

a. these general due diligence obligations, but also categorises four different CDD levels, such as

b. simplified due diligence, whose targets, requirements, and legal consequences apply, amongst other things, for business relationships among credit institutions, as well as between credit institutions and insurance companies, listed companies, or public authorities;

c. enhanced due diligence, which is applied in higher-risk cases, aimed at mitigating named risks by implementing additional, increased diligence – especially for politically exposed persons (→ PEPS).
**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.

**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.

**COREPER**  Comité des Représentants Permanents (Permanent Representatives Committee)
Committee of Permanent Representatives of EU member states; these representatives have the status of ambassadors. The Committee's task is to prepare the Governing Council's work, involving the ministers responsible for the respective subject areas. The EU member state holding Council Presidency also chairs the Committee.

**CRA**  Credit rating agencies
Private companies that assess the creditworthiness of companies and sovereign states, as well as the latter's subordinated local authorities.

**CRA 3 / CRA III**
Third amended version of the EU Regulation on credit rating agencies; providing the legal basis for the supervision of credit rating agencies by ESMA, including provisions that rating agencies have to comply with (e.g. when assigning ratings), as well as individual provisions which also apply to issuers or rating users.
**CRD IV**  Capital Requirements Directive IV
The purpose of CRD IV is to implement the requirements of the so-called 'second pillar' of Basel III within the EU. The process to incorporate amendments to form CRD V is currently ongoing.

**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.

**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.
**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.

**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.

**CSR**  **Corporate social responsibility**  
Social responsibility of companies in the sense of sustainable management. The CSR Directive (2014/95/EU) supplements the Accounting Directive (2013/34/EU) by adding non-financial information and information concerning diversity, including from credit institutions with more than 500 employees. Implemented in Germany by the Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports (CSR-RUG).

**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.
DGS Deposit Guarantee Scheme
This concept 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
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 ledger - a decentralised database. It is the technological foundation of virtual currencies, and is used to record transactions from user to user in digital payment and business dealings, without the need for a central authority to legitimise each individual transaction. Usually, a distributed ledger consists of a blockchain. The entire technology is called DLT. The best-known application is the blockchain of the virtual currency Bitcoin.
**EBA** European Banking Authority
The European Banking Authority is based in London. EBA's key task is to define technical standards which specify certain requirements of EU banking regulations, on behalf of the European Commission. Furthermore, the EBA promotes the consistent application of EU banking regulations, for instance by developing guidelines.

**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
European Central Bank (EZB)

**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 preparation of the content of ECOFIN 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 \( \rightarrow \text{EU} \). 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 (\( \rightarrow \text{PEPS} \)). \( \rightarrow \text{AML/AMLD, CDD} \)

**EDIS**  
European Deposit Insurance Scheme  
The European Deposit Insurance Scheme is a proposal for a regulation to create a European deposit insurance scheme, which is to be applied to all officially recognised Deposit Guarantee Schemes \( \rightarrow \text{DGSS} \) and the institutions covered by these schemes.

**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 \( \rightarrow \text{IASB} \), and to coordinate the initiatives taken by the financial reporting advisory committees throughout Europe (such as the \( \rightarrow \text{ASCG} \) in Germany). Furthermore, it provides advice to the European Commission on whether newly issued or revised \( \rightarrow \text{IFRS} \) meet the applicable endorsement criteria.

**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 \( \rightarrow \text{ESM} \).
**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.

**EMIR**  European Market Infrastructure Regulation
According to EMIR requirements, market participants are obliged to clear standardised OTC derivatives through central counterparties, to report all derivative transactions to trade repositories, and to apply risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty.

**EMMI**  European Money Markets Institute
Administrator of → EURIBOR and → EONIA.

**Eonia**  Euro Overnight Index Average
Reference interest rate that reflects the interest rate for uncollateralised overnight placements in euros on the interbank market within the euro area. According to the administrator (→ EMMI), it is likely that EONIA will be discontinued, since registration – which is required by 2020 pursuant to the → BENCHMARK REGULATION – will not occur.

**EP**  European Parliament
The European Parliament is 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 751 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. There are currently eight political groups in the European Parliament. 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 development 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 the EU level; their task is to contribute to a consistent and converging financial markets supervision within the → EU, by way of guidelines, technical standards and recommendations. A proposal by the European Commission for the reform of ESAs is currently being negotiated in the → EP and in the European Council.

**ESEF**  European Single Electronic Format

A digital reporting format for issuers of securities in the EU with mandatory labelling for IFRS consolidated financial
statements and selected disclosures as of 2020 and, for the remaining notes to the consolidated financial statements, as of 2022. The format was developed by → ESMA as a result of the Transparency Directive.

**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 has 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/ITSS, 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.

**EU**  European Union
Political and economic union of 28 Member States. Its main institutions are the European Council, the Council of Ministers, the European Commission 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.

**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). The administrator (→ EMMI) is attempting to complete registrations by 2020, as required by the → BENCHMARK REGULATION. So far it is not certain whether this will be successful.

**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).
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**FASB**  Financial Accounting Standards Board
The FASB, an accounting standards body under private law based in Norwalk, Connecticut (USA), publishes accounting standards for non-government US companies. The Financial Accounting Foundation (FAF) is responsible for financing the FASB.

**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.

**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 compromises 36 member states and two international 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.

**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.

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 on 26 June 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 the BIS in Basle.
→ BIS

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.
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.

GDPR  General Data Protection Regulation
This European regulation standardises the protection of personal data in the EU.

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.

HGB  German Commercial Code
Handelsgesetzbuch. 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 adopts the interpretations of the IFRS. The IFRS set the principles according to which companies prepare their financial statements for international capital markets.

**ICAAP**  **Internal Capital Adequacy Assessment Process**
Internal process to safeguard an institution’s ability to carry and sustain risk. It also includes a capital planning process and a stress testing. The ICAAP constitutes the preliminary stage to regulatory procedures for assessing the appropriateness of a bank’s capital. → 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 Dusseldorf-based association, the voluntary members of which are auditors or 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.

**IFRIC**  **International Financial Reporting Interpretations Committee**
The IFRIC addresses questions or issues raised in connection with the → IFRS and develops guidelines for their application. IFRIC was founded in December 2001, replacing the Standing Interpretations Committee (SIC). It is a body of the → IASB.
**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.

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

Internal process to safeguard an institution’s appropriate liquidity level, comprising funding planning and stress testing. The ILAAP constitutes the preliminary stage to regulatory procedures for assessing the appropriateness of an institution’s internal liquidity.  → SREP,  → ICAAP

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

International organisation of securities regulators. Sets global standards for securities regulation in cooperation with G20 and  → FSB.

**IP**  **Instant Payments**

Transfers made by banks in real time between the originator and the beneficiary of the payment are referred to as instant payments or real-time payments. The  → ERPB initiated the development of instant payments in Europe in 2014. The SEPA Instant Credit Transfer (SCT Inst) scheme of the  → EPC is the only standardised pan-European instant payments scheme.

**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.

**ISIN** International Securities Identification Number
12-character alphanumeric code for the identification of a security → WKN.

**ITS** Implementing Technical Standards
Technical implementation standards issued under explicit authorisation from the European Commission; the drafts are provided by the European Supervisory Authorities (→ ESA).
**JC  Joint Committee**
Joint forum of cooperation between the three → ESASS.

**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.

**KID  Key Information Document**
A KID comprises statutory summary information (→ EU) on a → PRIIP – including a description of the product, as well as of its opportunities and risks, in a language that is easily understood by private customers. → PRIIPS REGULATION, → UCITS

**KYC  Know your Customer**
The KYC concept refers to the mandatory identity verification for important new customers, in order to prevent 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.

**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**
The concept serves as a distinction between direct and indirect supervision 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.

**MAD** Market Abuse Directive
EU Directive, replaced to a large extent 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 contains prohibitions of insider trading and market manipulation for all financial market instruments traded on financial markets (**MTF**, **OTF**, **RM**), and derivatives based on these instruments, as well as prohibitions of attempted insider dealing and attempted market manipulation. It also covers any amendments or cancellations of existing orders on the basis of insider information.

**MIF Regulation** Interchange Fee Regulation/Multilateral Interchange Fee Regulation

**MiFID** Markets in Financial Instruments Directive
MiFID contains comprehensive provisions for the harmonisation of financial markets in the **EU**. **MiFID II**
**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**

**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. → **MiFID II**

**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

Non-binding declaration of intent outlining the key elements of an agreement or contract to be concluded. As they do not require ratification, MoUs are popular in public international law.

**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

**NCA** National Competent Authority
Authority in charge of banking supervision in a EU Member State. In Germany, this is the 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.

**NPL** Non-Performing Loans
Pursuant to the German Audit Report Regulation issued by the German Federal Financial Supervisory Authority (BaFin), a loan is considered as non-performing if its repayment is deemed unlikely (and the bank is thus required to recognise specific allowance for credit losses), or if a material liability of a borrower is at least 90 days past due.
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 under Pillar 2, defined as the sum of the total → SREP capital requirement (→ TSCR) and the combined buffer requirements (→ CBR), 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 36 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-SII S 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 regulated market within the meaning of MiFID or on a market in a third country which is regarded as equivalent to a regulated 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. MTF, RM
**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**

**PIS** Product Information Sheet
*Produktinformationsblatt* statutory basic information on financial instruments within the scope of advisory services to retail customers. Includes, in particular, easily understandable product, opportunity and risk descriptions.

**PRIIP** Packaged Retail and Insurance-based Investment Products
PRIIPs typically include products such as structured bonds and derivatives. → **PRIIPS REGULATION**

**PRIIPS Regulation** EU regulation on Key Information Documents for PRIIPs
Regulates the scope and content of basic information for consumers. Applies especially to structured products.
→ **PRIIP**, → **KID**

**PSD** Payment Service Directive
The EU Payment Services Directive (PSD) 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.
**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**
The purpose of the target equity ratio defined in the → SREP is to act as a kind of buffer to ensure that the minimum capital requirement under Pillar 1 and → P2R can be met, even in times of stress.

**P2R  Pillar 2 Requirements**
The regulatory capital requirement under the → SREP serves to cover those risks that are not (or not sufficiently) covered by the minimum capital requirement under Pillar 1. → P2G

**Q&A  Questions & Answers**
→ ESAs publish Q&A lists in order to ensure a uniform interpretation of the EU supervisory law by → NCAS and market participants.

**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).

**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
RoA is a 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. It sets the quarterly or annual profit in relation to assets carried on the statement of financial position.

**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.

**RBC** Risk-Bearing Capacity
From an economic point of view, risk-bearing capacity is given if the capital provided for loss absorption is sufficient to cover material risks. It is determined within the framework of the → ICAAP.
**RTS**  Regulatory Technical Standards
Technical regulation 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.
**SDD**  **Simplified Due Diligence**
Simplified due diligence to combat money laundering.
→ AML/AMLD, → CDD

**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. SEPA covers all 28 EU member states, and also applies to euro payments in Iceland, Liechtenstein, Norway, Monaco, Switzerland, and San Marino.

**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 securities financing transactions, 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 regulated market.

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 in September 2012.

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). → SRM

SREP  Supervisory Review and Evaluation Process
Within the scope of the SREP, under Pillar 2, regulatory authorities assess an institution’s business model, corporate governance structures and the adequacy of capital and liquidity held, on a regular basis. → 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 one 1% of the covered deposits of all institutions within the SRM (an estimated €55 billion) 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 Pillar 2 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. The current chair (2014–2019) of the Supervisory Board of the Single Supervisory Mechanism is Danièle Nouy.

**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 **ECB** within the scope of **SSM**.
**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 so-called ‘true sale’ securitisations and → ABCP. Furthermore, there is a distinction between transaction-level and programme-level criteria for ABCP.

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

Eurosistem 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.

**T2S** TARGET2-Securities

Technical platform offered by the Eurosistem 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 Financial Stability Board. The TCFD develops recommendations for climate-related risk disclosures.

**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, which is mandatory as per EMIR.

**TSCR**  Total SREP Capital Requirements
Capital requirements as set forth within Pillar 2 of the SREP framework, including the minimum capital requirements under Pillar 1. OCR
UCITS  Undertaking for Collective Investment in Transferable Securities
Investment funds investing in securities and other financial instruments in accordance with legal standards. The legal and administrative provisions for these funds and their management companies are set forth in the UCITS directive, as amended from time to time. → UCITS V

UCITS V
Fifth revision of the Undertakings for Collective Investment in Transferable Securities Directive, comprising regulations on the custody of UCITS funds; this is aimed primarily at entities providing custody services for UCITS funds. → UCITS

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.

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 securities identification numbers. → WKN, → ISIN
Association of German Public Banks
(Bundesverband Öffentlicher Banken Deutschlands, VÖB)
Lennéstrasse 11, 10785 Berlin, Germany
Phone +49 30 8192-0
Fax +49 30 8192-222
presse@voeb.de
www.voeb.de