



Reserve Bank
of New Zealand
Te Pūtea Matua

BPR001

Glossary

Purpose of document

This document is intended to provide a collection of abbreviations and defined terms that are used throughout the **BPR** series of documents issued by the Reserve Bank. The document does not currently contain all the abbreviations and definitions used in the **BPR** series, but the aim is that it will be amended from time to time to expand its ambit, so that it will ultimately become a comprehensive collection of all abbreviations and defined words and phrases used in the **BPR**-series documents. This glossary is for use only with **BPR**-series documents, and the abbreviations and definitions it contains do not necessarily apply to other Reserve Bank documents.

Document version history

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Conditions of registration

The Reserve Bank of New Zealand Act 1989 (the **Act**) permits the Reserve Bank to impose conditions of registration (**conditions**) on **registered banks**¹. The Reserve Bank publishes documents that are cross-referred to from individual conditions of registration, and in that way form part of the requirements imposed by those conditions.

This document BPR001: Glossary provides definitions for a number of terms. The definition of a term gives the meaning a term has for the purpose of determining the nature of the requirement imposed by any of the documents the term appears in, and for ensuring that a bank complies with the related conditions of registration.

As an interim measure, terms in the Glossary are only applicable to those documents referred to in banks' conditions of registration that belong to the new-style documents in the **BPR** series.

* All of the material set out in this document forms part of the requirements of the applicable conditions, except material that is expressly identified as guidance by being included in a shaded box like this.

¹ The conditions can relate to any of the matters referred to in sections 73 – 73B, 78 and 81. The standard conditions are contained in Appendix 1 of document BS1: Statement of Principles.

BPR001: Glossary

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Part A: Introduction

A1 Purpose and use of glossary

A1.1 Purpose of document

The glossary contains meanings of abbreviations, and of defined words and phrases, used throughout the **BPR**-headed documents.

A1.2 Explanation and use of glossary

1. The terms and definitions appear in alphabetical order and, where relevant, the abbreviated form of the defined term is shown.
2. Words in bold type within a definition are defined elsewhere in this glossary.
3. Part B1 contains the abbreviations, and Part B2 contains the defined words and terms.
4. Text marked "*Guidance*" does not form part of the definition, but is intended to expand on the meaning.

A1.3 Conflict between glossary definition and other definitions

Where there is any conflict between a definition given in Part B2 and a corresponding definition given in a specific **BPR** document, the **applicable OiC**, or in any other relevant legislation or document, that other definition prevails over the definition given in Part B2.

Guidance: The principle source for a number of the definitions is the **OiC** applicable to the **registered bank**. In these cases, the term is defined by reference to the **OiC**, but for convenience, the wording of the definition in the **OiC** is provided in a guidance box.

Part B: Glossary

B1 Abbreviations

B1.1 Meaning of abbreviations

For the purposes of interpreting the abbreviations used in the **BPR**-series documents, the following abbreviated terms have the corresponding meaning:

| | |
|--------------|---|
| AT1 | means Additional Tier 1 |
| AVCM | means asset value correlation multiplier |
| BPR | followed by a number means the Reserve Bank document Bank Prudential Requirement of that number |
| CBRF | means capital buffer response framework |
| CCF | means credit conversion factor |
| CCP | means central counterparty |
| CCR | means counterparty credit risk |
| CDS | means credit default swap |
| CEA | means credit equivalent amount |
| CET1 | means Common Equity Tier 1 |
| CPMI | means the Committee on Payments and Market Infrastructures |
| CRM | means credit risk mitigation |
| CVA | means credit valuation adjustment |
| D-SIB | means a Domestic Systemically Important Bank |
| EAD | means exposure at default |
| EL | means expected Loss |
| ESAS | means exchange settlement account system |
| FMA | means the Financial Markets Authority |
| GAAP | means Generally Accepted Accounting Practice |
| ICAAP | means an internal capital adequacy assessment process |
| IOSCO | means the International Organisation of Securities Commissions |
| IPRE | means income-producing real estate |
| IRB | means internal ratings-based |
| LGD | means loss given default |

| | |
|-----------------------|---|
| <u>LMI</u> | means lender's mortgage insurance |
| <u>M</u> | means effective maturity |
| <u>MDB</u> | means multilateral development bank |
| <u>NBDT</u> | means non-bank deposit taker |
| <u>NZ IAS</u> | followed by a number, means the New Zealand equivalent of the International Accounting Standard with that number |
| <u>NZ IFRS</u> | followed by a number, means the New Zealand equivalent of the International Financial Reporting Standard with that number |
| <u>OiC</u> | means Order in Council |
| <u>OTC</u> | means over-the-counter |
| <u>PCB</u> | means prudential capital buffer |
| <u>PD</u> | means probability of default |
| <u>PFCE</u> | means potential future credit exposure |
| <u>PSE</u> | means public sector entity |
| <u>QCCP</u> | means qualifying central counterparty |
| <u>RBNZ</u> | means the Reserve Bank of New Zealand |
| <u>RML</u> | means residential mortgage loan |
| <u>RWA</u> | means risk-weighted asset |
| <u>SFT</u> | means securities financing transaction |
| <u>SL</u> | means specialised lending |
| <u>SME</u> | means small or medium-sized enterprise |
| <u>SPV</u> | means special purpose vehicle |
| <u>UL</u> | means unexpected loss |

B2 Words and phrases

B2.1 Meaning of words and phrases

For the purposes of interpreting the words and phrases used in the **BPR**-series documents, the following words and phrases have the corresponding meaning:

Act has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the OiCs is as follows:

Act means the Reserve Bank of New Zealand Act 1989

Additional Tier 1 capital (AT1 capital) has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the local OiC is as follows:

Additional Tier 1 capital has the same meaning as in BPR110: Capital Definitions

affiliated insurance entity has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the local OiC is as follows:

affiliated insurance entity has the same meaning as in BPR160: Insurance, Securitisation and Loan Transfers

affiliated insurance group has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the local OiC is as follows:

affiliated insurance group has the same meaning as in BPR160: Insurance, Securitisation and Loan Transfers

applicable OiC–

- a. for a New Zealand-incorporated **registered bank**, means the **local OiC**; and
- b. for an overseas-incorporated **registered bank**, means the **branch OiC**

asset sale with recourse means an arrangement under which a loan, or other asset, is sold to a **third party**, and under which the seller retains an obligation to assume the **credit risk** on the asset under certain prescribed circumstances

Guidance: Such circumstances may include, for example, a deterioration in the value or credit quality of the asset.

bank has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

bank means a **registered bank** or an **overseas bank**

banking group has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

banking group, in relation to a registered bank,—

- (a) means the financial reporting group; or
- (b) if the Reserve Bank has, by notice in writing to the registered bank, after consultation with the registered bank, agreed to or required the inclusion or exclusion of any entity or any part of any entity, means the financial reporting group including or excluding that entity or that part of that entity, as the case may be.

Basel II has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

Basel II, as the context requires, refers either to the capital adequacy framework set out in the paper “International Convergence of Capital Measurement and Capital Standards” (issued by the Basel Committee on Banking Supervision in June 2006) or to a country’s or jurisdiction’s implementation of prudential requirements derived from that framework

Basel III has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

Basel III, as the context requires, refers either to Basel II as issued by the Basel Committee on Banking Supervision as supplemented by the Committee’s paper Basel III: A global regulatory framework for more resilient banks and banking systems (issued by the Basel Committee on Banking Supervision in June 2011) or to a country’s or jurisdiction’s implementation of prudential requirements derived from that framework

branch OiC means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended)

buffer trigger ratio means the percentage figure referred to in a condition of registration imposed on a New Zealand-incorporated **registered bank**, to specify the level of the bank’s **prudential capital buffer ratio** below which the bank is subject to restrictions or requirements specified in the condition

commitment with certain draw-down means an agreement to purchase assets or acquire claims which are certain to be drawn down at a future date, and includes—

- a. a forward asset purchase; and

- b. a partly paid-up share or security; and
- c. a forward deposit

commodity—

- a. means something that is traded; and
- b. includes—
 - i. **precious metals**; and
 - ii. base metals; and
 - iii. non-**precious metals**; and
 - iv. energy; and
 - v. agricultural assets; and
 - vi. other physical things.

commodity derivative means a **derivative** in respect of which the amount of consideration payable, or the value of the **derivative**, is ultimately determined, is derived from, or varies by reference to the value or amount of a **commodity** or **commodity** index

Common Equity Tier 1 capital (CET1 capital) has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Common Equity Tier 1 capital has the same meaning as in BPR110: Capital Definitions

Common Equity Tier 1 capital ratio (CET1 capital ratio) has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Common Equity Tier 1 capital ratio has the same meaning as in BPR110: Capital Definitions

connected person has the meaning given in the Reserve Bank of New Zealand document [BS8: Connected Exposures Policy](#)

contract of insurance has the meaning given in [section 7 of the Insurance \(Prudential Supervision\) Act 2010](#)

control or significant influence, for the purpose of defining eligible capital, has the meaning given in section A2.1 of BPR110

core rate-insensitive asset has the meaning given in section A1.3 of BPR140

core rate-insensitive liability has the meaning given in section A1.3 of BPR140

core rate-insensitive product has the meaning given in section A1.3 of BPR140

corporate finance activities has the meaning given in section A1.2(1) of BPR150

corresponding deductions approach has the meaning given in subpart C1 of BPR110

covered bond SPV has the meaning in section 139B of the Act

credit derivative means a **derivative** in respect of which the amount of consideration payable, or the value of the **derivative**, is ultimately determined, is derived from, or varies by reference to the value of one or more reference obligations of a reference entity

credit default swap means a **credit derivative** under which the protection buyer makes a payment to the protection seller in return for compensation in the event of a default (or similar credit event) by a reference entity

credit risk has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

credit risk has the same meaning as in NZ IFRS 7.

credit valuation adjustment (CVA) means a capital charge calculated in accordance with Part F of BPR131

Guidance: The purpose of the **CVA** is to cover the risk of mark-to-market losses on the expected counterparty credit exposures arising from a bank's bilaterally-settled **derivative** contracts.

Crown has the meaning given in section 2(1) of the Public Finance Act 1989

Crown entity has meaning given in section 7(1) of the Crown Entities Act 2004

currency derivative means a **derivative** in respect of which the amount of consideration payable, or the value of the **derivative**, is ultimately determined, is derived from, or varies by reference to the amount of an exchange rate, and–

- a. includes–
 - i. a forward foreign exchange contract; and
 - ii. a cross-currency **forward rate agreement**; and
 - iii. a currency option contract; but
- b. does not include–
 - i. a contract that has an original maturity which is less than or equal to 14 calendar days; or
 - ii. a **currency derivative** entered into as part of a **swap deposit arrangement**

currency risk has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:
currency risk has the same meaning as in NZ IFRS 7.

debt security has the meaning given in section 8(1) of the Financial Markets Conduct Act 2013

default, for the purpose of **IRB credit risk** modelling, has the meaning given in subpart E2 of BPR134

derivative has meaning given in section 8(4) of the Financial Markets Conduct Act 2013

dilution risk in relation to a pool of purchased receivables has the meaning given in section E4.1 of BPR133

direct credit substitute means an off-balance sheet exposure with a specified nominal principal amount that has a risk of loss that is equivalent to a direct claim on the counterparty for that amount

Guidance: A **direct credit substitute** will include, for example,–

- (a) bills of exchange;
- (b) guarantees of financial obligations;
- (c) standby letters of credit; and
- (d) risk participations.

disclosure statement has the meaning given in section 2(1) of the Act

effective maturity (M), for the purpose of calculating the risk-weight on a credit exposure subject to the **IRB approach** for which **M** is a required input, means the value of **M** for that exposure determined under the applicable methodology for the exposure specified in BPR133

equity has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

equity has the same meaning as “equity” given in “New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting” issued in 2018 (2018 NZ Conceptual Framework)

equity derivative means a **derivative** in respect of which the amount of consideration payable, or the value of the **derivative**, is ultimately determined, is derived from, or varies by reference to the value or amount of an **equity instrument** or **equity** index

equity instrument has the meaning given in NZ IAS 32 Financial Instruments: Presentation

equity risk has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

equity risk means the risk arising from changes in the prices of **equity instruments**

exposure at default (EAD) has the meaning given in the **local OIC**

Guidance: The definition in clause 4(1) of the **local OIC** is as follows:

EAD (“exposure at default”), for the purpose of calculating the risk-weight on a credit exposure subject to the **IRB approach**, means the value of EAD for that exposure determined under the applicable EAD methodology for the exposure specified in BPR133: IRB Credit Risk RWAs

financial asset has the meaning given in the **applicable OIC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

financial asset has the same meaning as in NZ IAS 32 Financial Instruments: Presentation

financial institution has the meaning given in section 2(1) of the **Act**

financial instrument has the meaning given in the **applicable OIC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

financial instrument has the same meaning as in NZ IAS 32 Financial Instruments: Presentation

financial liability has the meaning given in the **applicable OIC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

financial liability has the meaning as in NZ IAS 32 Financial Instruments: Presentation

financial reporting group—

- a. for a New Zealand-incorporated **registered bank** has the meaning given in the **local OIC**; and
- b. for an overseas incorporated **registered bank** has the meaning given in the **branch OIC**

Guidance: The definition in clause 4(1) of the **local OIC** is as follows:

financial reporting group has the same meaning as “group” in section 6(1) of the Financial Markets Conduct Act 2013.

The definition in clause 4(1) of the **branch OIC** is as follows:

financial reporting group means the New Zealand business of the **registered bank** and its subsidiaries as required to be reported in group financial statements under section 461B(2) of the Financial Markets Conduct Act 2013.

forward rate agreement means an agreement between two parties to exchange payment at a future date based on interest payments and receipts on different interest rate bases on a notional principal amount over a specified period

generally accepted accounting practice (GAAP) has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

generally accepted accounting practice has the same meaning as in section 8 of the Financial Reporting Act 2013

holding company has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

holding company has the same meaning as in section 5 of the Companies Act 1993, but with the word "subsidiary" taking the meaning it has in this Order.

The **OiCs** define **subsidiary** as taking the meaning given in the Financial Reporting Act 2013.

The effect of the **OiCs'** definition of **holding company** is therefore that a company is another company's **holding company**, if, but only if, that other company is its **subsidiary**. A **subsidiary** is defined in section 5(1) of the Financial Reporting Act 2013 as follows:

subsidiary means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993; and includes any entity that is classified as a subsidiary in any applicable financial reporting standard.

insurance business means the undertaking or assumption of liability as an **insurer** under a **contract of insurance**

insurance entity means any entity whose business predominantly consists of **insurance business**

insurer has the meaning given in section 6(1) of the Insurance (Prudential Supervision) Act 2010

interest rate derivative—

- a. means a **derivative** in respect of which the amount of consideration payable, or the value of the **derivative**, is ultimately determined, is derived from, or varies by reference to the amount of an interest rate; and
- b. includes—
 - i. a single-currency **forward rate agreement**; and

- ii. an interest rate swap contract; and
- iii. an interest rate option contract

interest rate repricing date has the meaning given in section A1.3 of BPR140

interest rate risk has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

interest rate risk has the same meaning as in NZ IFRS 7

IRB approach has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

IRB approach means the internal ratings-based approach for modelling credit risk, as provided for in BPR100: Capital Adequacy

IRB bank means a New Zealand-incorporated **registered bank** that is accredited by the Reserve Bank to use the **IRB approach** to **credit risk** for capital adequacy purposes

issuer has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

issuer has the same meaning as in section 11 of the Financial Markets Conduct Act 2013

joint venture has the meaning given in NZ IFRS 11 (Joint Arrangements)

local OiC means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014, as amended

locally-incorporated bank means a **registered bank** that is incorporated in New Zealand

loss allowance has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

loss allowance has the same meaning as in NZ IFRS 9

loss given default (LGD), has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

LGD (“loss given default”), for the purpose of calculating the risk-weight on a credit exposure subject to the **IRB approach**, means the value of LGD for that exposure determined under the applicable LGD methodology for the exposure specified in BPR133: IRB Credit Risk RWA

lowest-risk multilateral development banks and supnationals has the meaning given in section C2.4 of BPR131

modelled exposure class has the meaning given in section C1.5 of BPR130

non-bank deposit taker (NBDT) has the meaning given (for **NBDT**) in section 5 of the Non-bank Deposit Takers Act 2013

non-modelled exposure class has the meaning given in section C1.5 of BPR130

non property-investment residential mortgage loan has the meaning given in section C3.4 of BPR131

non-viability trigger event for an **Additional Tier 1** or **Tier 2** capital instrument has the meaning given in section D2.1 of BPR120

note issuance facility or **revolving underwriting facility** means an arrangement where–

- a. a borrower may draw down funds up to a prescribed limit over a pre-defined period by making repeated note issues to the market; and
- b. if the issue is not fully taken up by the market, the unplaced amount is to be taken up, or funds made available, by the facility provider

operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and–

- a. includes legal risk; but

Guidance: legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from regulatory actions, as well as private settlements.

- b. does not include strategic risk and reputational risk

original maturity of a financial instrument is the time between the issue and the maturity date of the instrument, or if the instrument has no specified maturity date, the time between the issue date and the earliest date on which the bank can cancel the facility or withdraw its funds.

Guidance: Instruments with no specified maturity date include for example credit cards, overdrafts and non-term deposit accounts.

other material risk has the meaning given in section D1.1 of BPR100

overseas bank has the meaning given in section 2(1) of the Act

owner-occupied residential property has the meaning given in section C3.4 of BPR131

past due has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

past due has the same meaning as in NZ IFRS 9 and an asset that is a specified number of days past due includes an asset for which, in relation to the contracted terms, conditions, or limits that applied to the asset immediately before non-performance commenced—

- (a) any payment of principal, interest or other forms of monies owing is overdue, or has not been paid in accordance with the asset's terms and conditions, for at least the specified number of days; or
- (b) amounts owing under revolving facilities have been continuously outside of limits for at least the specified number of days.

performance-related contingent item—

- a. means an exposure involving an irrevocable obligation to pay a **third party** in the event that a counterparty fails to fulfil or perform a contractual non-monetary obligation such as delivery of goods by a specified date; and
- b. includes—
 - i. performance bonds; and
 - ii. bid bonds; and
 - iii. warranties and indemnities; and
 - iv. performance related standby letters of credit; and
 - v. other guarantees that support obligations relating to a particular transaction

placement of forward deposit means an agreement to place a deposit with another party at an agreed rate of interest on a predetermined future date

precious metal means gold, silver, platinum, or palladium

precious metal derivative means a **commodity derivative** in respect of which the relevant **commodity** is a **precious metal**

probability of default (PD) has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

PD (“probability of default”), for the purpose of calculating the risk-weight on a credit exposure subject to the **IRB approach**, means the value of PD for that exposure determined under the applicable PD methodology for the exposure specified in BPR133: IRB Credit Risk RWAs

property-investment residential mortgage loan has the meaning given in section C3.4 of BPR131

prudential capital buffer ratio (PCB) has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

prudential capital buffer ratio has the same meaning as in BPR100: Capital Adequacy

public sector entity means a local authority (as defined in [section 5 of the Local Government \(Rating\) Act 2002](#))

qualifying central counterparty (QCCP) has the meaning given in section G1.2 of BPR131

qualifying interest, in relation to a specified security, has the meaning given in [section 2\(1\)](#) of the **Act**

rate-insensitive asset has the meaning given in section A1.3 of BPR140

rate-insensitive liability has the meaning given in section A1.3 of BPR140

rate-insensitive product has the meaning given in section A1.3 of BPR140

rating system, for the purposes of an **IRB bank** modelling **credit risk**, has the meaning given in section B1.1 of BPR134

registered bank has the meaning given in [section 2\(1\)](#) of the **Act**

repay, in relation to a capital instrument issued by a bank, has the meaning given in section A2.1 of BPR110, and **repayment** and **repaid** have corresponding meanings

repurchase transaction means a transaction in which a person agrees to sell a security to a counterparty for an amount of money and repurchase the security from the counterparty, at an agreed price, on an agreed future date

residential mortgage loan (RML) has the meaning given in section C3.2 of BPR131

residual value risk, in relation to a lease, has the meaning given in section C2.17 of BPR131

reverse repurchase transaction means a transaction in which a person agrees to buy a security from a counterparty for an amount of money and resell the security to the counterparty, at an agreed price, on an agreed future date

reverse residential mortgage loan (reverse RML) has the meaning given in section C3.4 of BPR131

revolving underwriting facility has the meaning given under **note issuance facility**

seasonal rate-insensitive asset has the meaning given in section A1.3 of BPR140

seasonal rate-insensitive liability has the meaning given in section A1.3 of BPR140

seasonal rate-insensitive product has the meaning given in section A1.3 of BPR140

securities borrowing transaction means a transaction in which a person agrees to borrow a security from a counterparty and provide an amount of money, or other securities, to the counterparty as collateral

securities financing transaction (SFT) means a **repurchase transaction**, a **reverse repurchase transaction**, a **securities lending transaction**, or a **securities borrowing transaction**

Guidance: To avoid doubt, margin lending is not included in the definition of **SFT**, because it is part of retail customer business in New Zealand.

securities lending transaction means a transaction in which a person agrees to lend a security to a counterparty and receive an amount of money, or other securities, from the counterparty as collateral

sister company, in relation to a company (A), means a company that is a **subsidiary** of a **holding company** of A, but is neither a **holding company** of A nor a **subsidiary** of A

solo basis has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **Local OiC** is as follows:

solo basis, in relation to the calculation of a registered bank's capital ratios, has the same meaning as in Subpart B2 of BPR100: Capital Adequacy

standard residential mortgage loan has the meaning given in section C3.4 of BPR131

standardised bank means a New Zealand-incorporated **registered bank** that is not accredited by the Reserve Bank to use the **IRB approach** to **credit risk** for capital adequacy purposes

state enterprise has the meaning given in section 2 of the State-Owned Enterprises Act 1986

statutory management means statutory management under section 117 of the Act

subsidiary has the meaning given in the **applicable OiC**

Guidance: The definition of **subsidiary** in clause 4(1) of each of the **OiCs** is that it has the meaning given in the Financial Reporting Act 2013. The definition in section 5(1) of that Act is as follows:

subsidiary means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993; and includes any entity that is classified as a subsidiary in any applicable financial reporting standard

surplus CET1 Capital, in relation to the **prudential capital buffer ratio**, has the meaning given in section B2.6(5) of BPR100

swap deposit arrangement means an arrangement under which–

- a. a party sells foreign currency at the spot rate against another currency to a counterparty; and
- b. at the same time, that counterparty deposits the foreign currency with the selling party and enters into a **currency derivative** with the party to sell the foreign currency back to the party against another currency, at a specified exchange rate, on a future date

third party, for the purpose of calculating a **registered bank's** capital ratios, means an entity that is not the **registered bank** or a member of the **registered bank's banking group**

Tier 1 capital has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Tier 1 capital has the same meaning as in BPR110: Capital Definitions

Tier 1 capital ratio has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Tier 1 capital ratio has the same meaning as in BPR100: Capital Adequacy

Tier 2 capital has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Tier 2 capital has the same meaning as in BPR110: Capital Definitions

Total capital has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Total capital has the same meaning as in BPR110: Capital Definitions

Total capital ratio has the meaning given in the **local OiC**

Guidance: The definition in clause 4(1) of the **local OiC** is as follows:

Total capital ratio has the same meaning as in BPR100: Capital Adequacy

total return swap means a **credit derivative** under which a protection buyer, during the term of the contract–

- a. pays a protection seller all cash flows arising from a reference obligation together with any appreciation in the market value of the reference obligation; and
- b. receives, in return, a spread over a specified index together with any depreciation in the value of the reference obligation

total RWA equivalents has the meaning given in section B2.5 of BPR100

Guidance: **Total RWA equivalents** is the denominator for the purpose of calculating capital adequacy ratios.

trade-related contingent item–

- a. means a contingent liability arising from trade-related obligations which are secured against an underlying shipment of goods; and
- b. includes documentary letters of credit issued, acceptances on trade bills, shipping guarantees issued and other trade-related contingencies.

transitional AT1 capital instrument has the meaning given in section A2.3 of BPR110

transitional Tier 2 capital instrument has the meaning given in section A2.3 of BPR110

ultimate holding company, in relation to a company, means a body corporate that–

- a. is a **holding company** of the company; but
- b. is itself not a **subsidiary** of any body corporate

Guidance: This definition matches the definition in the Companies Act 1993, but with the terms **holding company** and **subsidiary** having the meaning they are given in this Glossary.

ultimate parent bank has the meaning given in the **applicable OiC**

Guidance: The definition in clause 4(1) of each of the **OiCs** is as follows:

ultimate parent bank, in relation to a registered bank, means the bank that–

- (a) is the registered bank's holding company; and
- (b) is not itself a subsidiary of another bank.

unassessed claim has the meaning given in section B1.5 of BPR131