



## **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.

Banking Prudential Requirements

Document BPR001

## 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<sup>1</sup>. 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.*

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<sup>1</sup> 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

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#### 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

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#### 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

**LMI** means lender's mortgage insurance

**M** means effective maturity

**MDB** means multilateral development bank

**NBDT** means non-bank deposit taker

**NZ IAS** followed by a number, means the New Zealand equivalent of the International Accounting Standard with that number

**NZ IFRS** followed by a number, means the New Zealand equivalent of the International Financial Reporting Standard with that number

<b>OiC</b>	means Order in Council
<b>OTC</b>	means over-the-counter
<b><u>PCB</u></b>	<b><u>means prudential capital buffer</u></b>
<b>PD</b>	means probability of default
<b><u>PFCE</u></b>	<b><u>means potential future credit exposure</u></b>
<b>PSE</b>	means public sector entity
<b>QCCP</b>	means qualifying central counterparty
<b>RBNZ</b>	means the Reserve Bank of New Zealand
<b>RML</b>	means residential mortgage loan
<b><u>RWA</u></b>	<b><u>means risk-weighted asset</u></b>
<b>SFT</b>	means securities financing transaction
<b>SL</b>	means specialised lending
<b>SME</b>	means small or medium-sized enterprise
<b>SPV</b>	means special purpose vehicle
<b>UL</b>	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](#)*

Source: OiCs and BS documents

**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](#)*

Source: New definition.

**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](#)*

Source: New text (source definition comes from BS2A Part 7, same in BS2B)

**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](#)*

Source: New text (source definition comes from BS2A Part 7, same in BS2B)

**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**

Source: New definition.

**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.*

Source: BS2A, para 55(a); BS2B, para 4.83(a).

**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](#)*

Source: local OiC.

**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.*

Source: Defined primarily in the OICs, cl 4(1), but also in the Act (by ref to OICs), and CoRs

**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*

Source: OIC definitions

**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*

Source: OIC definitions

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

Source: New definition.

**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

Source: New definition.

**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

Source: BS2A, para 55(b); BS2B, para 4.83(b).

**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.

Source: BS2A, para 55(c): BS2B, para 4.83(c) (revised from original).

**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

Source: BS2A, para 55(l): BS2B, para 4.83(l) (revised from original).

**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

Source: New definition.

**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

Source: New definition.

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

Source: New definition.

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

Source: Standard CoR for limit on insurance business.

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

Source: New text (refers to existing defns in BS2A para 5, BS2B para 2.2).

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

Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)

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

Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)

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

Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)

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

Source: BS2A, Nov 2015, para 119.

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

Source: BS2A, para 10(1): BS2B para 2.18.

**covered bond SPV** has the meaning in [section 139B](#) of the **Act**

Source: New definition.

**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

Source: BS2A, para 55(d); BS2B, para 4.83(d) (revised from original).

**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

Source: BS2A, para 55(e); BS2B, para 4.83(e) - but slightly differing) (revised from original).

**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](#).*

Source: OiCs, cl 4(1).

**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.*

Source: New definition.

**Crown** has the meaning given in [section 2\(1\) of the Public Finance Act 1989](#)

Source: BS2A, para 28.

**Crown entity** has meaning given in [section 7\(1\) of the Crown Entities Act 2004](#)

Source: BS2A, para 43(a).

**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**

Source: BS2A, para 55(i); BS2B, para 4.83(i) (revised from original).

**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](#).*

Source: OiCs, cl 4(1).

**debt security** has the meaning given in [section 8\(1\) of the Financial Markets Conduct Act 2013](#)

Source: Reserve Bank Act s2(1).

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

Source: New text, refers to text from BS2B para 4.268, also Basel framework CRE36.69.

**derivative** has meaning given in [section 8\(4\) of the Financial Markets Conduct Act 2013](#)

Source: New definition (replaces definition of **derivative contract** in BS2A, para 55(f); BS2B, para 4.83(f))

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

Source: BS2B, para 4.189.

**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.*

Source: BS2A, para 55(g); BS2B, para 4.83(g) (revised from original).

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

New text.

**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

Source: New definition.

**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](#) )*

Source: OiCs, cl 4(1), BS2A, Nov 2015, para 125; BS2B, Nov 2015, para 7.1 (revised from original).

**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

Source: BS2A, para 55(h); BS2B, para 4.83(h) (revised from original).

**equity instrument** has the meaning given in [NZ IAS 32 Financial Instruments: Presentation](#)

Source: BS2A, Nov 2015, para 125; BS2B, Nov 2015, para 7.1.

**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***

Source: OiCs, cl 4(1); BS2A, Nov 2015, para 125; BS2B, Nov 2015, para 7.1.

**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*

Source: local OiC, revised definition.

**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](#)*

Source: OiCs, cl 4(1); BS2A, para 125; BS2B, para 7.1.

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

Source: BS2A para 5, BS2B para 2.2(e).

**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](#)*

Source: OiCs, BS2A, para 125; BS2B, para 7.1.

**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](#)*

Source: OiCs, BS2A, para 125; BS2B, para 7.1.

**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](#).*

Source: OiCs, cl 4(1)

**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

Source: BS2A, para 125; BS2B, para 7.1; definition expanded.

**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](#)*

Source: BS2A, para 119; OiCs, cl 4(1).

**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.*

*Source: Act, s2(1).*

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

*Source: Standard CoR for limit on insurance business.*

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

*Source: BS2A para 107, BS2B para 6.1.*

**insurer** has the meaning given in [section 6\(1\) of the Insurance \(Prudential Supervision\) Act 2010](#)

*Source: Standard CoR for limit on insurance business*

**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

*Source: BS2A, para 55(j); BS2B, para 4.83(j) (revised from original).*

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

*Source: New definition, based on definitions in BS2A, para 125; BS2B, para 7.1.*

**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](#)*

*Source: OiCs, cl 4(1).*

**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*

*Source: Local OiC, (revised from original).*

**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

Source: BS19, section 10, (revised from original).

**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](#)*

Source: OiCs, cl 4(1)

**joint venture** has the meaning given in [NZ IFRS 11 \(Joint Arrangements\)](#)

Source: BS2A para 107(2), BS2B para 6.1 (revised from original).

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

Source: New definition.

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

Source: New definition.

**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](#)*

Source: OiCs, cl 4(1)

**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*

Source: local OiC, revised definition.

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

Source: New definition.

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

Source: New definition.

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

Source: BS2A, para 5; BS2B para 2.2

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

Source: New definition.

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

Source: BS2A, Nov 2015, para 43(e).

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

*Source: New text (refers to underlying sources: BS2A, para 10f(7) and 10f(8); BS2B, paras 2.62 and 2.63).*

**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

*Source: BS2A, para 55(k); BS2B, para 4.83(k).*

**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

*Source: BS2A, para 119; BS2B, para 8.2*

**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.*

*Source: New definition.*

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

*Source: New text (refers to existing definition in new place).*

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

*Source: New definition.*

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

*Source: BS2A, para 43(e), BS2B, para 4.7(a).*

**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 9a](#) 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.

*Source: OiC, cl 4(1).*

**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

Source: Source: BS2A, para 55(u); BS2B, para 4.83(u).

**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

Source: BS2A, para 55(n); BS2B, para 4.83(n).

**precious metal** means gold, silver, platinum, or palladium

Source: BS2A, para 55(o), BS2B, para 4.83(o), (**REVISED FROM ORIGINAL**).

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

Source: BS2A, para 55(p); BS2B para 4.83(p)

**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*

Source: OiCs, cl 4(1), (revised from original).

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

Source: BS2A, para 43(e).

**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*

Source: New definition.

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

Source: BS2A, para 43(d), BS2B, para 4.6.

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

Source: BS2A, para 55C; BS2B, paras 4.82L.

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

Source: New definition.



**rate-insensitive asset** has the meaning given in section [AB1.3](#) of BPR140

*Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)*

**rate-insensitive liability** has the meaning given in section [AB1.3](#) of BPR140

*Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)*

**rate-insensitive product** has the meaning given in section [AB1.3](#) of BPR140

*Source: New text (refers to text from BS2A, para 125; BS2B, para 7.1.)*

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

*Source: New text: refers to source: BS2B, paras 4.220 and 4.221: cf Basel framework CRE36.9 and 10.*

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

*Source: New definition.*

**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

*Source: New text: refers to source from BS2A, para 5; BS2B, para 2.2.*

**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

*Source: BS2A, para 55(r); BS2B, para 4.83(r).*

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

*Source: BS2A, Nov 2015, para 43(e).*

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

*Source: New definition.*

**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

*Source: BS2A, para 55(r); BS2B, para 4.83(r).*

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

*Source: BS2A, Nov 2015, para 43(e).*

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

*Source: BS2A, para 55(k); BS2B, para 4.83(k).*

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

*Source: New text: refers to text from: BS2A, para 125; BS2B, para 7.1.*

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

*Source: New definition.*

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

*Source: New definition.*

**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

Source: BS2A, para 55(r); BS2B, para 4.83(r).

**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.*

Source: New definition, based on BS2A, para 55(r); BS2B, para 4.83(r).

**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

Source: BS2A, para 55(r); BS2B, para 4.83(r).

**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

Source: New definition.

**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*

Source: New definition.

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

Source: BS2B, Nov 2015, para 4.7(a).

**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

Source: New definition.

**state enterprise** has the meaning given in [section 2 of the State-Owned Enterprises Act 1986](#)

Source: BS2A, para 43(g).

**statutory management** means statutory management under [section 117](#) of the **Act**

Source: BS17, para 3(15).

**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*

Source: BS2A, para 5; BS2B, para 2.2, and elsewhere.

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

Source: BS2A, paras 11a to 13b; BS2B, paras 3.1A to 3.4E.

**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

Source: BS2A, para 55(s); BS2B, para 4.83(s).

**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

Source: BS2A, para 5; BS2B, para 2.2.

**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*

Source: New definition.

**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*

Source: New definition.

**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*

Source: New definition.

**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*

Source: New definition.

**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*

Source: New definition.

**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

Source: BS2A, para 55(t); BS2B, para 4.83(t).

**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.*

Source: *New definition.*

**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.

Source: *BS2A, para 55(v); BS2B, para 4.83(v).*

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

Source: *New definition.*

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

Source: *New definition.*

**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.*

Source: *New definition.*

**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.

Source: *OiC, cl 4(1).*

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

Source: *New definition.*