

DEFINITIONS

1. **American Depository Receipt (ADR):** is a certificate issued by a United States bank that represents a number of shares of a particular foreign security or deposit with a bank in the respective foreign country.
2. **Base Currency:** is the currency in which the reporting institution draws up its annual published accounts. This is the same currency as that of its Share Capital by virtue of Article 187(1) of the Companies Act 1995.
3. **Capital:** shall mean own funds.
4. **Clearing member:** means a member of the exchange or the clearing house which has a direct contractual relationship with the central counterparty (market guarantor).
5. **Commodities:** means those physical products which are or can be traded on a secondary market, e.g., agricultural products, minerals (including oil).
6. **Convertible:** means a security which, at the option of the holder, can be exchanged for another security.
7. **Credit institutions:** are those institutions as defined in Article 2(1) of the Banking Act 1994.
8. **Delta:** means the expected change in an option price as a proportion of a small change in the price of the instrument underlying the option.
9. **Financial Institutions:** are those institutions as defined in Article 2(1) of the Financial Institutions Act 1994.
10. **Financial Instruments:** means any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.
11. **In the Money:** when the strike price of an option is more advantageous than the present market price of the underlying asset. In other words, in the case of a call (put) option, an option, whose exercise price is less than (greater than) the market price of its underlying asset. The intrinsic value of the option is determined by how much the option is in the money. The more it is in the money, the more expensive it becomes.
12. **Institutions:** for the purposes of this Rule, means credit institutions and investment firms.
13. **Investment Firms:** means institutions as defined in Article 4(1) of Directive 2004/39/EC, which are subject to the requirements imposed by that Directive, excluding:
 - (i) credit institutions;
 - (ii) local firms as defined in paragraph 14 below; and

- (iii) firms which are only authorised to provide the service of investment advice and/or receive and transmit orders from investors without holding money or securities belonging to their clients and which for that reason may not at any time place themselves in debt with those clients.
14. **Local Firm:** means a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.
15. **Naked Option:** option where there is no underlying security position.
16. **Out of the money:** in the event of a call option (or put option), this is where the exercise price or strike price of the option is greater (or less than) the market price of the underlying price.
17. **Over-the-counter (OTC) Derivative Instruments:** shall mean the interest-rate and foreign-exchange contracts referred to in the Capital Requirements Rule BR/04 Annex V and off-balance-sheet contracts based on equities, provided that no such contracts are traded on recognised exchanges where they are subject to daily margin requirements and, in the case of foreign-exchange contracts, that every such contract has an original maturity of more than 14 calendar days.
18. **Own Funds:** means own funds as defined in the Own Funds Rule BR/03.
19. **Regulated Market:** means a multilateral system operated by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system within the meaning of Article 2 of the Financial Markets Act 1990. For the purposes of this definition, "buying and selling interests" includes orders, quotes and indications of interest;
20. **Reporting Currency:** is the Euro. This is the currency in which the reporting institution draws up its Statutory Returns. The authority may, at its discretion, require all or part of the Statutory Returns to be reported in a currency other than the Euro.
21. **Repurchase Agreement and Reverse Repurchase Agreement:** mean any agreement in which an institution or its counter-party transfers securities¹, subject to a commitment to repurchase them - or substituted securities of the same description - at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the institution *selling* the securities and a *reverse repurchase agreement* for the institution *buying* them.

¹ For the purpose of this definition securities include guaranteed or guaranteed rights relating to title to securities where that guarantee is issued by a recognised exchange which holds the rights to the securities and the agreement does not allow an institution to transfer or pledge a particular security to more than one counter-party at one time subject to a commitment to repurchase them.

22. ***Securities or Commodities Lending and Securities or Commodities Borrowing:*** mean any transaction in which an institution or its counter-party transfers securities or commodities against appropriate collateral subject to a commitment that the borrower will return equivalent securities or commodities at some future date or when requested to do so by the transferor, being *securities or commodities lending* for the institution transferring the securities or commodities and being *securities or commodities borrowing* for the institution to which they are transferred.
23. ***Securitisation Position and Re-securitisation Position*** mean, respectively, securitisation position and re-securitisation position as defined in Banking Rule BR/04.
24. ***Stock Financing:*** means positions where physical stock has been sold forward and the cost of funding has been locked in until the date of the forward sale.
25. ***Units in Collective Investment Undertakings:*** mean participation in any type of collective investment scheme.
26. ***Warrant:*** means an instrument which gives the holder the right to purchase a number of shares of common stock or bonds at a stipulated price until the expiry date of the warrant. They may be settled by the delivery of the securities themselves or their equivalent in cash.

For the purposes of applying supervision on a consolidated basis, the term “investment firm” shall include third-country investment firms.

For the purposes of the term “financial instruments”, these shall include both primary financial instruments or cash instruments and derivative financial instruments the value of which is derived from the price of another underlying item, and include as a minimum the instruments specified in Section C of Annex I to Directive 2004/39/EC (MIFID Directive).

For further definitions, refer to Appendix I-D.