

New Glossary terms for CBB Rulebook Volumes 1 and 2 For Module CA (2013)

Affiliate: An affiliate of a bank is defined as a company that controls, or is controlled by, or is under common control with, the bank. Control of a company is defined as (1) ownership, control, or holding with power to vote 20% or more of a class of voting securities of the company; or (2) consolidation of the company for financial reporting purposes.

Credit risk: Is defined as the potential that a bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk exists throughout the activities of a bank in the banking book and in the trading book and includes on- and off-balance sheet exposures

Market risk: Is defined as the risk of loss in on- or off-balance-sheet positions arising from movements in market prices. The risks subject to the capital requirement of module CA are:

- (a) The risks pertaining to interest rate related instruments and equities in the trading book; and
- (b) Foreign exchange and commodities risks throughout the bank.

Operational risk: Is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk,¹ but excludes strategic and reputational risk.

Securities Financing Transactions (SFTs): (SFTs) are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements.

¹ Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.