

Appendix 4

In this annex underlining indicates new text and striking through indicates deleted text.



Notice of Amendments

Glossary Module

(GLO)

in relation to Consultation Paper No. 83

1.2 Defined Terms

1.2.1 (1) In the Rulebook:

- (a) a word or phrase ~~which has been capitalised and~~ which is defined in this module is a defined term and has the meaning given in this module (GLO); and
- (b) a ~~capitalised~~ word or phrase which relates to a defined term must be interpreted accordingly;

(2) In the PIB module:

- (a) a word or phrase which is defined solely for the purposes of that module under PIB Rule 1.2.1 is also a defined term and has the meaning given in that module; and
- (b) a word or phrase in the PIB module which relates to such a defined term must be interpreted accordingly.

Guidance

1. Defined terms are identified throughout the Rulebook by the capitalisation of the initial letter of a word or of each word in a phrase. Unless the context otherwise requires, where capitalisation of the initial letter or letters is not used, an expression has its natural meaning.
2. A word or phrase which appears with capitalisation of the initial letter, but is not itself defined ~~in the Glossary (GLO)~~, should be read in the same sense as the expression to which it relates, for example 'Advice on Financial Products or Credit' is related to 'Advising on Financial Products or Credit', so the reader should refer to the definition of 'Advising on Financial Products or Credit' for its meaning.
3. Many of the defined expressions in GLO are used or defined in the relevant DIFC law or in legislation made under it. In these cases, GLO may refer to the statutory provision which is the source of the Rulebook definition. Where there is a short statutory definition, GLO sets out the definition in full. Where the statutory definition is long, GLO gives a summary of it, and states that it is a summary.
4. Each module of the Rulebook has a reference code of three letters, usually a contraction or abbreviation of its title (for example, COB stands for the Conduct of Business module). The meaning of each of these codes is given in GLO.
5. GEN section 6.2 provides further important guidance on interpreting words and phrases.

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A

Defined Term	Definition
Acceptable Collateral	Those types of collateral set out in PIB Rule A4.8.32.
Annual Audited Expenditure	The expenditure calculated in accordance with PIB Rule 2.5.2.

B

Base Capital Requirement	Has the meaning given in PIB section <u>3.6</u> 2.4.
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C

Defined Term	Definition
Capital Requirement	The amount of capital an Authorised Firm must hold, calculated in accordance with PIB <u>sections 3.3, 3.4 or 3.5, as applicable</u> Rule 2.3.1.
Capital Resources	The total capital resources of an Authorised Firm calculated in accordance with PIB section <u>3.11</u> 2.6.
Closely Related	Has the meaning given in PIB Rule A4. <u>11.5</u> 8.8.
Connected Counterparties	Has the meaning given in PIB Rule A4. <u>11.7</u> 8.11.
Counterparty Risk Capital Component (CPCOM)	A component of the Credit Risk Capital Requirement calculated in accordance with PIB section 4.4.
Credit Enhancement	Has the meaning given in PIB Rule A4.10.1.
Credit Equivalent Amount (CEA)	The proportion of the nominal amount of an OTC derivative contract at risk if an Authorised Firm's Counterparty fails.
Credit Risk Capital Component (CRCOM)	A component of the Credit Risk Capital Requirement calculated in accordance with PIB section 4.3.
Credit Risk Capital Requirement	The requirement calculated in accordance with PIB <u>section 4.6</u> Rule 2.3.3.

D

Defined Term	Definition
Delta	The measure of an Option's sensitivity to a change in value of the underlying Investment, asset or property.
Displaced Commercial Risk Capital Requirement (PSIACOM)	The requirement calculated in accordance with <u>chapter 5 of the IFR Module</u> PIB section 3.4.
Duration Method	A measure of General Market Risk calculated in accordance with PIB Rule A5.2.19.

E

Defined Term	Definition
Expenditure Based Capital Minimum	A capital requirement calculated in accordance with PIB section <u>3.7</u> 2.5.

F

Defined Term	Definition
Financial Group	<p>A group of entities which includes an Authorised Firm and:</p> <ul style="list-style-type: none"> (a) any Parent incorporated in the DIFC; (b) any Financial Institution subsidiaries (whether direct or indirect) of the Parent or Parents in (a) or of the Authorised Firm; (c) any Financial Institution in which the Parent or Parents in (a), the Financial Institution subsidiaries in (b) or the Authorised Firm (whether direct or indirect) hold 20% or more of the voting rights or capital; and (d) any entity which the DFSA directs the Authorised Firm to include in accordance with PIB Rule <u>78.1.2</u> or PIN Rule 8.1.2.
Financial Group Capital Adequacy Report	The Report referred to in PIB Rule A7.2.1 or PIN Rule 6.6.1.

Financial Group Capital Requirement	The Capital Requirement of a Financial Group calculated in accordance with PIB Rule 78.3.3 or PIN Rule 8.3.3.
Financial Group Capital Resources	The Capital Resources of a Financial Group calculated in accordance with PIB Rule 78.3.4 or PIN 8.3.4.
First Loss Facility	Has the meaning given in PIB Rule A4.10.1.

G

Defined Term	Definition
Gamma	The rate of change in an Option's Delta with respect to a change in the price of the underlying Securities.
General Market Risk	<p>(1) For the purposes of the Interest Rate Risk Capital Requirement, means the risk that losses may arise from price changes in Securities caused by parallel or non-parallel shifts in the yield curve or from price movements in the equity market for a given country;</p> <p>(2) for the purposes of the Equity Risk Capital Requirement, means the risk that losses may arise from a price movement in the equity market for a given country; or</p> <p>(3) for the purposes of internal models, means both of the above risks.</p>
General Market Risk Requirement	The measure of risk for the purposes of the Interest Rate Risk Capital Requirement and the Equity Risk Capital Requirement calculated in accordance with PIB Rules A5.2.15 and A5.3.2 respectively.

I

Defined Term	Definition
ICAAP	Internal Capital Adequacy Assessment Process.
ICR	Individual Capital Requirement.
Interest Rate Risk Capital	A component of Market Risk Capital Requirement and

Requirement	as calculated in accordance with PIB section 5.4.
Investment Grade	A credit rating applied to debt items in accordance with PIB A5.2.14.
IRAP	Internal Risk Assessment Process

M

Defined Term	Definition
Market Risk Capital Requirement	The requirement calculated in accordance with PIB Rule 2.3.45.3.1 .
Maturity Ladder	A table that ordinally ranks the maturity time bands and assets and liabilities within them.
Maturity Method	This is an advanced approach that an Authorised Firm may use to measure the risk of holding or taking positions in debt Securities and other interest rate-related instruments, calculated in accordance with PIB Rule A5.2.17.
Modified Duration	The time period calculation for the purposes of the Duration Method in accordance with PIB Rule A5.2.21.

N

Defined Term	Definition
Netting	A process by which the claims and obligations between two Counterparties are offset against each other to leave a single net sum.

O

Defined Term	Definition
Option Risk Capital Requirement	A component of the Market Risk Capital Requirement and calculated in accordance with PIB section 5.8.
Original Maturity	(1) The time period between the date an offer is made and the date it expires or lapses.

	(2) In relation to Debentures, the interval between its issue date and the date on which it becomes due and payable.
Originator	As defined in PIB Rule A4.10.1.

P

Defined Term	Definition
Potential Future Credit Exposure (PFCE)	An amount calculated by multiplying the nominal principal amount of an OTC derivative contract by a specified percentage dependent on the nature and Residual Maturity of the contract.

R

Defined Term	Definition
Related Person	Has the meaning given in PIB Rule 4.4.6 4.2.2(3).
Residual Maturity	The period of time until an asset or an off-balance sheet item matures or expires.
Revolving Securitisation	Has the meaning given in PIB Rule A4.10.1.
Rho	The measure of an Option's sensitivity to a change in interest rates.

S

Defined Term	Definition
Securitisation	Has the meaning given in PIB Rule A4.10.1.
Securities Underwriting Capital Requirement	A component of the Market Risk Capital Requirement and defined in PIB section 5.9.
Servicer	Has the meaning given in PIB Rule A4.10.1.
Sponsor	Has the meaning given in PIB A4.10.1. An Authorised Firm that repackages third party assets

	<p><u>directly into a securitisation scheme. Where an Authorised Firm repackages non-Investment Grade third party assets, it may fall within the definition of an Originator unless it originates or repackages no more than 10% of the scheme's total assets.</u></p>
Synthetic Securitisation	<p>A securitisation which uses Credit Derivatives to transfer the credit risk associated with the underlying assets.</p>

T

Defined Term	Definition
Theta	<p>The ratio of the change in an Option price to the decrease in time to expiration. Theta can also be referred to as time decay.</p>
Tier One Capital	<p>Capital referred to as Tier One Capital in the table set out under PIB Rule 2.6.2.</p>
Tier Two Capital	<p>Capital referred to as Tier Two Capital in the table set out under PIB Rule 2.6.2.</p>
Total Return Swap	<p>A contract under which two parties exchange their positive or negative returns on a notional amount of a Reference Asset for a specified period of time.</p>
Trading Book	<p>The positions and exposures including, on and off-balance sheet items eligible for inclusion in the Trading Book, as described in PIB chapter 1 <u>section 2.2</u>.</p>

U

Defined Term	Definition
Unsettled Transaction	<p>A transaction where delivery of an instrument is due to take place against the receipt of cash but remains outstanding.</p>

V

Defined Term	Definition
Vega	The measure of an Option's sensitivity to a change in the volatility of the underlying Investment, asset or property.

W

Defined Term	Definition
Walkaway Clause	A provision which permits a non-defaulting party to make payments, or no payments at all, to the estate of the defaulter, even if the defaulter is a net creditor.