



# Glossary of Defined Terms for QPR Form



**Glossary History**

<b>Change Date</b>	<b>New Version no.</b>	<b>Description of Changes</b>
January 2009	01	Initial Launch



## **Glossary of Defined Terms for QPR Form**

### **A**

#### **Associated undertakings**

Entities in which an investor has significant influence, but are not considered a subsidiary or joint venture of the investor.

#### **Available for sale**

Non-derivative financial assets which are designated by an investment firm licensee for accounting purposes as available for sale or are not classified as:

- (a) loans and receivables;
- (b) held to maturity investments; or
- (c) financial assets at fair value through profit or loss.



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**B**



## **Glossary of Defined Terms for QPR Form**

### **C**

#### **CIU under management**

Collective investment undertakings managed by investment firm licensees on behalf of their investors.

#### **Collaterals**

Any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction.

#### **Collective investment scheme (or CIUs)**

Collective investment undertakings ('CIUs') are undertakings:

- (a) The sole object of which is the collective investment of capital raised from the public in financial instruments or other assets and which operates on the basis of risk-spreading; and
- (b) The holdings of which are re-purchased or redeemed, directly or indirectly, out of those undertakings' assets.

#### **Commodities**

A physical asset (other than a financial instrument or cash), which is capable of delivery.

#### **Concentrated risk**

The concentrated risk represents credit risk concentration which forms a separate component of the counterparty risk requirement calculated in accordance with CA-3.3.1.

#### **Consolidated subsidiary**

Entity controlled by the enterprise and reported in accordance with IFRS by aggregation of financial position and results of the subsidiary together with the entity controlling it.

#### **Contracts for differences**

Contracts that provide for the payment of a cash sum reflecting fluctuations in the value of any property, price index or financial instrument.



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### **D**

#### **Derivative**

A generic term for a financial instrument whose value is dependent on, or derived from, the changes in the absolute or relative value of some underlying asset, market index or rate. Often used for futures, options and swaps.

#### **Due to clients**

The amount, net of expenses, which constitutes the proceeds realised from the sale, redemption or disposal of client assets, as the case may be, and which is payable to the client in proportion to their respective interest in the assets.



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**E**



## **Glossary of Defined Terms for QPR Form**

### **F**

#### **Fair value**

The amount or value for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

#### **Floating rate notes**

A note with a variable interest rate. Adjustments to the interest rate are usually made every six months and are linked to a certain index.

#### **Free delivery**

A transaction under which a person:

- (a) has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them; and
- (b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

#### **Futures and options fund**

An authorised fund dedicated to derivatives (where most or all of the transactions in derivatives are fully covered by cash, securities or derivatives), with or without transferable securities.





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### **G**

#### **Gearred futures and options fund**

An authorised fund dedicated to derivatives (where most or all of the extent of the investment is limited by the amount of property available to put up as initial outlay), whether with or without transferable securities.



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### **H**

#### **Held to maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity is able to and intends to hold until maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those which meet the definition of loans and receivables.

#### **Hybrid instruments**

Financial instruments that blend characteristics of debt and equity markets.



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### **I**

#### **Impairment losses**

Amount by which the carrying amount of an asset is greater than its recoverable amount.

#### **Initial margin**

The percentage of the purchase price of financial instruments (that can be purchased on margin) that the investor must pay for with their own cash or marginable financial instruments.

#### **Impairment provisions**

Provisions made in relation to assets that are impaired.



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**J**

**Jointly controlled entities**

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other type of entity in which each party of the venture has an interest. A contractual agreement exists between the parties involved in the venture to establish joint control over the economic activity of the entity.



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**K**



## **Glossary of Defined Terms for QPR Form**

### **L**

#### **Latent reserves**

Latent reserves result from differences between the market value and book value of an asset, and should be reported at a discount of 55% when performing CAR calculations.

#### **Licensed exchange**

An exchange licensed in respect of the operation of its market in and from the Kingdom of Bahrain, and in respect of overseas markets, exchanges that are regulated by a securities regulator.

#### **Listed equities**

Any equity securities admitted to an official list.



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### **M**

#### **Margin**

Margin accounts are a form of collateral for the counterparty or clearing house and may take the form of cash, securities or other specific assets, typically liquid assets.

#### **Margined transaction**

A transaction executed by an investment firm licensee with or for a client relating to a future, option or contract for differences (or any right to or any interest in such an investment) under the terms of which the client will or may be liable to provide cash or collateral to secure performance of obligations which he may have to perform when the transaction fails to be completed or upon the earlier closing out of his position.

#### **Minority interest**

Minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent entity.

#### **Multiplier**

Factor applied, under relevant circumstances, to magnify the applicable risk charge that investment firm licensees must account for when the risks appear to fluctuate over a period of time. The regulator may intervene to reduce or increase the multiplier without changing the risk charge factor depending on the degree of market volatility.



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### **N**

#### **Net long position**

A net long position is a position in a foreign currency when there is an excess of assets, including spot and future contracts to purchase, over liabilities, including spot and future contracts to sell, in that currency.

#### **Net short position**

A net short position is a position in a foreign currency when there is an excess of liabilities, including spot and future contracts to sell, over assets, including spot and future contracts to purchase, in that currency.





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### **O**

#### **OECD**

Sovereign bonds, which are of investment grade and above, issued by Organisation for Economic Co-operation and Development (OECD) central governments or such bonds secured by OECD central governments.

#### **Off-exchange transactions**

Transactions which are not traded on exchange.



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### **P**

#### **Pledged assets**

An asset that is transferred to a lender to secure debt. The lender of the debt maintains possession of the pledged asset, but does not have ownership unless default occurs.

#### **Position risk**

Defined in Rule CA-3.2.1.

#### **Property fund**

An authorised fund dedicated to permitted immovables and property related assets, whether with or without transferable securities.



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**Q**



## **Glossary of Defined Terms for QPR Form**

### **R**

#### **Realisable value**

Amount of cash or cash equivalents that could be obtained today by selling an asset in an orderly disposal.

#### **Repos**

An agreement between a buyer and a seller for:

- (a) the sale of securities, under which the seller agrees to repurchase the securities, or equivalent securities, at an agreed date and, usually, at a stated price;
- (b) the purchase of securities, under which the buyer agrees to resell the securities, or equivalent securities, at an agreed date and, usually, at a stated price.

#### **Regulatory capital**

Capital elements that satisfy the regulatory criteria for admissibility, in the context of calculating compliance with Regulatory Capital Requirements. Defined in Chapter CA-2.

#### **Regulatory capital requirement**

Defined in Rule CA-1.2.2 for Category 1 and Category 2 investment firms, and in Rule CA-1.2.3 for Category 3 investment firms.

#### **Retained profits**

The amount of net earnings not paid out as dividends, but retained by the company to be reinvested or to pay its debt obligations.



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### **S**

#### **SPV**

Special purpose vehicle or company, whether incorporated or otherwise established for the purpose of holding a firm's assets or client's assets, or for the purpose of raising finance.

#### **Subordinated debt**

Subordinated debt (sometimes called mezzanine finance) has many of the characteristics of both debt and equity. A subordinated creditor agrees to rank after senior creditors but before ordinary shareholders in a liquidation.

#### **Surrender value**

Where the contract is a contract of life assurance, the surrender value is the amount (including a nil amount) payable by the entity issuing the contract on surrender of the policy.



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### **T**

#### **Traded equities**

Any equity securities which are bought and sold on a regulated exchange.



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**U**



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**V**

**Variation margin**

A variable margin payment that is made by clearing members to their respective clearing houses based upon adverse price movements of the futures contracts that these members hold.





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### **Warrant fund**

An authorised fund which invests entirely in warrants.

### **With profit life policies**

Insurance contracts that participate in the profits of a life insurance company.

### **Written options**

Options which are sold to the holder of the option by an individual or entity on a regulated exchange.



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X



**Glossary of Defined Terms for QPR Form**

**Y**



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**Z**