
A Fifth letter of a Nasdaq stock symbol specifying Class A shares.

A paper Another name for prime paper.

A-D Advance-Dcline, or measurement of the number of issues trading above their previous closing prices less the number trading below their previous closing prices over a particular period. As a technical measure of market breadth, the steepness of the AD line indicates whether a strong bull or bear market is under way.

A1 The fifth highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated A1 are considered upper-medium grade and are subject to low credit risk. Rating one notch higher is Aa3. Rating one notch lower is A2

A2 The sixth highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated A2 are considered upper-medium grade and are subject to low credit risk. Rating one notch higher is A1. Rating one notch lower is A3

A3 The seventh highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated A3 are considered upper-medium grade and are subject to low credit risk. Rating one notch higher is A2. Rating one notch lower is Baa1

Aa1 The second highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Aa1 are judged to be of high quality and are subject to very low credit risk. Rating one notch higher is Aaa. Rating one notch lower is Aa2

Aa2 The third highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Aa2 are judged to be of high quality and are subject to very low credit risk. Rating one notch higher is Aa1. Rating one notch lower is Aa3

Aa3 The fourth highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Aa3 are judged to be of high quality and are subject

to very low credit risk. Rating one notch higher is Aa2. Rating one notch lower is A1

Aaa The highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk. Rating one notch lower is Aa1.

AAA+ Bank Refers to banks that are rated AAA by IBCA, Moodys Investor Service and Standard & Poors.

AAII See: American Association of Individual Investors

Abandonment Controlling party giving up rights to property voluntarily.

Abandonment option The option of terminating an investment earlier than originally planned.

ABC agreement A contract between an employee and a brokerage firm outlining the rights of the firm purchasing an NYSE membership for that employee.

ABCP See: Asset Backed Commercial Paper (ABCP)

Ability to pay Refers to the borrower's ability to make interest and principal payments on debts. See: Fixed charge coverage ratio. In context of municipal bonds, refers to the issuer's present and future ability to create sufficient tax revenue to fulfill its contractual obligations, accounting for municipal income and property values. In context of taxation, notion that tax rates should be determined according to income or wealth.

Abnormal returns The component of the return that is not due to systematic influences (market-wide influences). In other words, the abnormal returns is the difference between the actual return and that is expected to result from market movements (normal return). Related: excess returns.

ABO See: Accumulated Benefit Obligation

Above par See: Par.

ABS (1) See: Automated Bond System

ABS (2) See: Asset backed securities

Absolute advantage A person, company or country has an absolute advantage if its output per unit of input of all goods and services produced is higher than that of another person, company or country.

Absolute form of purchasing power parity A theory that prices of products of two different countries should be equal when measured by a common currency. Also called the “law of one price.”

Absolute Physical Life The period of use after which an asset has deteriorated to such an extent that it can no longer be used.

Absolute priority Rule in bankruptcy proceedings requiring senior creditors to be paid in full before junior creditors receive any payment.

Absorbed Used in context of general equities. Securities are “absorbed” as long as there are corresponding orders to buy and sell. The market has reached the absorption point when further assimilation is impossible without an adjustment in price. See: Sell the book.

Abusive tax shelter A limited partnership that the IRS judges to be claiming tax deductions illegally.

ABW The three-character ISO 3166 country code for ARUBA.

ABX index Index created by the firm Markit. It is based on the price of credit default swaps on the index’s constituent mortgage backed securities. A decline in the the ABX Index indicates that the market associates more risk with subprime mortgages.

ACAT See: Automated Customer Account Transfer

Accelerated cost recovery system (ACRS) Schedule of depreciation rates allowed for tax purposes.

Accelerated depreciation Any depreciation method that produces larger deductions for depreciation in the early years of an asset's life. Accelerated cost recovery system (ACRS), which is a depreciation schedule allowed for tax purposes, is one such example.

Acceleration clause A contract stating that the unpaid balance becomes due and payable if specific actions transpire, such as failure to make interests payments on time.

Accelerator acquisitions Buying a firm very early on in its life cycle and, usually, at an inexpensive price

Acceptance Contractual agreement instigated when the drawee of a time draft "accepts" the draft by writing the word "accepted" thereon. The drawee assumes responsibility as the acceptor and for payment at maturity. See: Letter of credit and banker's acceptance.

Accommodation A form of loan in which the borrower is not obligated to compensate the lender. These loans are often accompanied by accommodation bills, which guarantee that a third party compensates the lender, should the borrower be unable. Troubled financial institutions frequently use accommodation loans.

Accommodation loan A legal agreement signed by two parties whereby one of the co-signers guarantees credit liability for the other co-signer. Accommodation loans, often called accommodation endorsements or bills, allows the guarantor to add strength to the creditworthiness of the other party. If the receiving party defaults on its debt, the guarantor is then responsible for the debt of the other party. See: Covenant

Accommodative monetary policy Federal Reserve System policy to increase the amount of money available to banks for lending. See: Monetary policy.

Account In the context of bookkeeping, refers to the ledger pages upon which various assets, liabilities, income, and expenses are represented. In the context of investment banking, refers to the status of securities sold and owned or the relationship between parties to an underwriting syndicate. In the context of securities, the relationship between a client and a broker/dealer firm allowing the firm's employee to be the client's buying and selling agent. See: Account executive; account statement.

Account Ad Valorem Duty An imported merchandise tax expressed as a percentage.

Account balance Credits minus debits at the end of a reporting period.

Account executive The brokerage firm employee who handles stock orders for clients. See: Broker.

Account in trust Account managed by the account holder for another person, called the beneficiary. For example, an account opened by parents to give money to their minor children.

Account Party Party who applies to open a bank for the issuance of a letter of credit.

Account reconciliation The reviewing and adjusting of the balance in a personal checkbook to match your bank statement.

Account statement In the context of banking, refers to a summary of all balances. In the context of securities, a summary of all transactions and positions (long and short) between a broker/dealer and a client. See also: Option agreement.

Accountant's opinion A signed statement from an independent public accountant after examination of a firm's records and accounts. The opinion may be unqualified or qualified. See: Qualified opinion.

Accounting earnings Earnings of a firm as reported on its income statement.

Accounting exposure The change in the value of a firm's foreign currency-denominated accounts due to a change in exchange rates.

Accounting insolvency Total liabilities exceed total assets. A firm with a negative net worth is insolvent on the books.

Accounting liquidity The ease and quickness with which assets can be converted to cash.

Accounts payable Money owed to suppliers.

Accounts receivable Money owed by customers.

Accounts receivable financing A short-term financing method in which accounts receivable are collateral for cash advances. See: Factoring.

Accounts receivable turnover The ratio of net credit sales to average accounts receivable, which is a measure of how quickly customers pay their bills.

Accredited investor Refers to an individual whose net worth, or joint net worth with a spouse, exceeds \$1,000,000; or whose individual income exceeded \$200,000 or whose joint income with a spouse exceeded \$300,000 in each of the 2 most recent years and can be expected to meet that income in the current year. More details of the definitions for investors other than individuals are found in Regulation D of the Securities and Exchange Commission.

Accreting Swap) An interest rate swap in which the notional principal amount increases over time, for example as with a construction loan provided in tranches as each stage of the project is completed.

Accretion (of a discount) In portfolio accounting, a straight-line accumulation of capital gains on a discount bond in anticipation of receipt of par at maturity.

Accrual Accounting Convention An accounting system that tries to match the recognition of revenues earned with the expenses incurred in generating those revenues. It ignores the timing of the cash flows associated with revenues and expenses.

Accrual basis In the context of accounting, practice in which expenses and income are accounted for as they are earned or incurred, whether or not they have been received or paid. Antithesis of cash basis accounting.

Accrual bond A bond on which interest accrues but is not paid to the investor during the time of accrual. The amount of accrued interest is added to the remaining principal of the bond and is paid at maturity.

Accrued benefits The pension benefits earned by an employee according to the years of the employee's service.

Accrued discount Interest that accumulates on savings bonds from the date of purchase until the date of redemption or final maturity, whichever comes first. Series A, B, C, D, E, EE, F, I, and J are discount or accrual bonds, meaning principal and interest are paid when the bonds are redeemed. Series G, H, HH, and K are income bonds, and the semiannual interest paid to their holders is not included in accrued discount.

Accrued interest Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives \$40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller \$10 as the latter's proportion of interest earned.)

Accrued market discount The rise in the market value of a discount bond as it approaches maturity (when it is redeemable at par) and not because of falling market interest rates.

Accumulate Broker/analyst recommendation that could mean slightly different things depending on the broker/analyst. In general, it means to increase the number of shares of a particular security over the near term, but not to liquidate

other parts of the portfolio to buy a security that might skyrocket. A buy recommendation, but not an urgent buy.

Accumulated Benefit Obligation (ABO) An approximate measure of the liability of a pension plan in the event of a termination at the date the calculation is performed. Related: Projected benefit obligation.

Accumulated dividend A dividend that has reached its due date, but is not paid out. See: Cumulative preferred stock.

Accumulated Other Comprehensive Income (AOCI) A balance sheet account that reports the total of all comprehensive income items except Net Income.

Accumulated profits tax A tax on earnings retained in a firm as a way for the principals to defer personal income taxes.

Accumulation In the context of corporate finance, refers to profits that are added to the capital base of the company rather than paid out as dividends. See: Accumulated profits tax. In the context of investments, refers to the purchase by an institutional broker of a large number of shares over a period of time in order to avoid pushing the price of that share up. In the context of mutual funds, refers to the regular investing of a fixed amount while reinvesting dividends and capital gains.

Accumulation area A range within which a buyer accumulates shares of a stock. See: On-balance volume and distribution area.

ACES See: Advance Computerized Execution System

ACH See: Automated Clearing House

Acid test ratio Also called the quick ratio, the ratio of current assets minus inventories, accruals, and prepaid items to current liabilities.

Acquired surplus The surplus acquired when a company is purchased in a pooling of interests combination, i.e. the net worth not considered to be capital stock.

Acquiree A firm that is being acquired.

Acquirer A firm or individual that is purchasing another firm or asset.

Acquisition When a firm buys another firm.

Acquisition cost Refers to the price (including the closing costs) to purchase another company or property. In the context of investments, refers to price plus brokerage commissions, of a security, or the sales charge applied to load funds. See: Tax basis.

Acquisition of assets A merger or consolidation in which an acquirer purchases the selling firm's assets.

Acquisition of stock A merger or consolidation in which an acquirer purchases the acquiree's stock.

Acquittance A written document which releases a second party from any financial or other liability. An example of an acquittance would be a receipt indicating payment in full.

Across the board Movement or trend in the stock market that causes all stocks in all sectors to move in the same direction.

ACRS See: Accelerated cost recovery system

Act of Bankruptcy An action by a debtor that can be a basis for creditors to file a bankruptcy petition against the debtor. Examples of such actions are concealing assets, defrauding creditors, favoring one creditor over another, or admitting in written a willingness to be adjudged bankrupt.

Act of state doctrine This doctrine says that a nation is sovereign within its own borders, and its domestic actions may not be questioned in the courts of another nation.

Acting in concert Investors working together and performing identical actions to attain the same investment goal.

Active A market in which there is frequent trading.

Active account Refers to a brokerage account in which many transactions occur. Brokerage firms may levy a fee if an account generates an inadequate level of activity.

Active bond crowd Refers to members of the bond department of the NYSE who trade the most bonds. Antithesis of cabinet crowd.

Active box Securities that are held in safekeeping and are available as collateral for securing brokers' loans or customers' margin positions.

Active commitments In the context of private equity, active commitments is an investment that has not reached the end of its legal term.

Active fund management An investment approach that purposely shifts funds either between asset classes (asset allocation), sectors (sector rotation), or between individual securities (security selection) in order to seek superior returns.

Active income Income from an active business as opposed to passive investment income according to the U.S. tax code.

Active Management The opposite of passive management. The passive manager simply minimizes the tracking error of their portfolio and a well known index (e.g. S&P 500 index mutual funds). The active manager will deviate from the benchmark weights by (i) varying the weights from the benchmark weights on the securities; (ii) adding securities outside the benchmark or choosing not to hold securities included in the benchmark and (iii) time-varying asset allocation where weights on certain asset classes change through time. The goal of active management is to produce a return that exceeds the passive return with minimal risk.

Active portfolio strategy A strategy that uses available information and forecasting techniques to seek better performance than a buy and hold portfolio. Related: Passive portfolio strategy.

Active Return Return relative to a benchmark. If a portfolio's return is 5%, and the benchmark's return is 3%, then the portfolio's active return is 2%.

Active Risk The risk (annualized standard deviation) of the active return. Also called the tracking error.

Activist Investor A minority shareholder who seeks to influence decision making at a company by voicing concerns, engaging in a dialogue with management, or lobbying other shareholders for support. The demands could relate to changes in management, representation on the board, acquisitions or divestitures, salaries, bonus payments, use of retained earnings etc.

Actual Cash Value Cost of replacing a property with another of the same kind and in similar condition. Calculated as the replacement cost less depreciation.

Actual market Used in context of general equities. Firm market. Antithesis of Subject market.

Actual/360 Day count convention for calculating interest accrued on U.S. Treasury bills and other money market instruments. Uses actual number of days in a month and 360 days in a year for calculating interest payments. Also see Day count convention.

Actual/Actual Day count convention for calculating interest accrued on U.S. Treasury bonds. Uses actual number of days in a month and actual number of days in a year for calculating interest payments. Also see Day count convention.

Actuals The physical commodities underlying a futures contract. Cash commodity, physical asset.

ACU See: Asian currency units

AD The two-character ISO 3166 country code for ANDORRA.

Ad valorem tax A type of tax calculated based on percentage of gross or stated value. For example, VAT.

ADB (1) See: Adjusted Debit Balance

ADB (2) See: Asian Development Bank

Additional bonds test A test for ensuring that bond issuers can meet the debt service requirements of issuing any new additional bonds.

Additional hedge A protection against fallout risk in the mortgage pipeline.

Adequacy of coverage A test that measures the extent to which the value of an asset is protected from potential loss either through insurance or hedging.

Adjustable rate Applies mainly to convertible securities. Refers to interest rate or dividend that is adjusted periodically, usually according to a standard market rate outside the control of the bank or savings institution, such as that prevailing on Treasury bonds or notes. Typically, such issues have a set floor or ceiling, called caps and collars that limits the adjustment.

Adjustable-rate mortgage (ARM) A mortgage that features predetermined adjustments of the loan interest rate at regular intervals based on an established index. The interest rate is adjusted at each interval to a rate equivalent to the index value plus a predetermined spread, or margin, over the index, usually subject to per-interval and to life-of-loan interest rate and/or payment rate caps.

Adjustable-rate mortgage securities (ARMS) Mortgage-backed securities where the underlying asset is a pool of Adjustable rate mortgages.

Adjustable-rate preferred stock (ARPS) Publicly traded issues that may be collateralized by mortgages and MBS

Adjusted balance method Method of calculating finance charges that uses the account balance remaining after adjusting for all transactions posted during the given billing period as its basis. Related: Average daily balance method, previous balance method, past due balance method.

Adjusted basis Price from which to calculate and derive capital gains or losses upon sale of an asset. Account actions such as any stock splits that have occurred since the initial purchase must be accounted for.

Adjusted debit balance (ADB) The account balance for a margin account that is calculated by combining the balance owed to a broker with any outstanding balance in the special miscellaneous account, and any paper profits on short accounts.

Adjusted exercise price Term used in options on Ginnie Mae (Government National Mortgage Association) contracts. The final exercise price of the option accounts for the coupon rates carried on Ginnie Mae mortgages. For example, if the standard GNMA mortgage has an 9% yield, the price of GNMA pools with 13% mortgages in them is altered so that the investor receives the same yield.

Adjusted gross income (AGI) Gross income less allowable adjustments, which is the income on which an individual is taxed by the federal government.

Adjusted present value (APV) The net present value analysis of an asset if financed solely by equity (present value of unlevered cash flows), plus the present value of any financing decisions (levered cash flows). In other words, the various tax shields provided by the deductibility of interest and the benefits of other investment tax credits are calculated separately. This analysis is often used for highly leveraged transactions such as a leveraged buyout.

Adjustment bond A bond issued in exchange for outstanding bonds when a corporation facing bankruptcy is recapitalized.

Administrative pricing rules IRS rules used to allocate income on export sales to a foreign sales corporation.

ADP See: Automatic Data Processing, Inc.

ADR See: American Depositary Receipt

ADS See: American Depositary Share

Advance Increase in the market price of stocks, bonds, commodities, or other assets.

Advance commitment A promise to sell an asset before the seller has lined up purchase of the asset. This seller can offset risk by purchasing a futures contract to fix the sales price approximately.

Advance Computerized Execution System (ACES) Refers to the Advance Computerized Execution System, run by Nasdaq. ACES automates trades between order entry and market maker firms that have established trading relationships with each other. Securities are designated as specified for automatic execution.

Advance Decline Ratio Ratio of the number of stocks that advance in value to the number of stocks that decline in value over a given time period. An increasing advance-decline ratio signals a bullish trend while a decreasing advance-decline ratio signals a bearish trend.

Advance funded pension plan A pension plan in which funds are set aside in advance of the date of retirement.

Advance refunding In the context of municipal bonds, refers to the sale of new bonds (the refunding issue) before the first call date of old bonds (the issue to be refunded). The refunding issue usually specifies a rate lower than the issue to be refunded, and the proceeds are invested, usually in government securities, until the higher-rate bonds become callable. See: Refunding escrow deposits.

Advance tax ruling A written statement sought by a taxpayer from the tax authorities about the tax implications of a transaction. It is often a precondition for closing the transaction because an adverse tax ruling may make the transaction (e.g. a merger) financially unviable.

Advancement Money or property given to a person by the deceased before death and intended as an advance against the beneficiary's share in the will.

Adverse opinion An independent auditor's opinion expressing that a firm's financial statements do not reflect the company's position accurately. See also: Qualified opinion.

Adverse selection Refers to a situation in which sellers have relevant information that buyers lack (or vice versa) about some aspect of product quality.

Advising bank Corresponding bank in the beneficiary's country to which an issuing bank sends a letter of credit.

Advisory letter A newsletter offering financial advice to its readers.

AE The two-character ISO 3166 country code for UNITED ARAB EMIRATES.

AED The ISO 4217 currency code for United Arab Emirates Dirham.

AEX See: Amsterdam Exchange

AF The two-character ISO 3166 country code for AFGHANISTAN.

AFA The ISO 4217 currency code for Afghan Afghani.

Affidavit of Loss A sworn statement describing the particulars and circumstances of the loss of securities. This affidavit is required before a Bond of Indemnity can be issued and the securities replaced.

Affiliate Relationship between two companies when one company owns substantial interest, but less than a majority of the voting stock of another company, or when two companies are both subsidiaries of a third company. See: Subsidiaries, parent company.

Affiliated corporation A corporation that is an affiliate to the parent company.

Affiliated person An individual who possesses enough influence and control in a corporation as to be able to alter the actions of the corporation.

Affirmative covenant A bond covenant that specifies certain actions the firm must take.

Affirmative obligation A New York Stock Exchange rule that governs the behavior of specialists. Affirmative obligation is the mandate of the specialists to step in and act as either the buyer or the seller when public investor orders exist do not match up naturally. Also known as positive-obligation. Related: negative-obligation.

Affordability index An index that measures the financial ability of consumers to purchase a home.

AFG The three-character ISO 3166 country code for AFGHANISTAN.

AFM (1) See: Amman Financial Market

AFM (2) See: Autoriteit Financiële Markten.

AFS See: Available for Sale

After acquired clause A contractual clause in a mortgage agreement stating that any additional mortgageable property attained by the borrower after the mortgage is signed will be regarded as additional security for the obligation addressed in the mortgage.

After-hours dealing or trading Securities trading after regular trading hours on organized exchanges.

After-tax basis The comparison basis used to analyze the net after-tax returns on a corporate taxable bond and a municipal tax-free bond.

After-tax profit margin The ratio of net income to net sales.

After-tax real rate of return The after-tax rate of return minus the inflation rate.

Aftermarket See: Secondary market.

AG The two-character ISO 3166 country code for ANTIGUA AND BARBUDAAG.

Against the box See: Selling short against the box.

Aged fail An account between two broker/dealers that remains intact 30 days after the settlement date. The receiving firm must adjust its capital as it can no longer treat this account as an asset.

Agencies See: Federal agency securities.

Agency In context of general equities, buying or selling for the account and risk of a customer. Generally, an agent, or broker, acts as intermediary between buyer and seller, taking no financial risk personally or as a firm, and charging a commission for the service. The broker represents a customer buyer/seller to a customer seller/buyer and does not act as principal for the firm's own trading account. Antithesis of principal. See: Dealer.

Agency bank A form of organization commonly used by foreign banks to enter the US market. An agency bank cannot accept deposits or extend loans in its own name; it acts as agent for the parent bank. It is also the financial-institution that issues ADRs to the general market.

Agency basis A means of compensating the broker of a program trade solely on the basis of commission established through bids submitted by various brokerage firms.

Agency cost view The argument that specifies that the various agency costs create a complex environment in which total agency costs are at a minimum with some, but less than 100%, debt financing.

Agency costs The incremental costs of having an agent make decisions for a principal.

Agency incentive arrangement A means of compensating the broker of a program trade using benchmark prices for issues to be traded in determining commissions or fees.

Agency pass-throughs Mortgage pass-through securities whose principal and interest payments are guaranteed by government agencies, such as the Government National Mortgage Association (Ginnie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae).

Agency problem Conflicts of interest among stockholders, bondholders, and managers.

Agency securities Securities issued by federally related institutions and U.S. government-sponsored entities. Such agencies were created to reduce borrowing costs for certain sectors of the economy, such as agriculture.

Agency theory The analysis of principal-agent relationships, in which one person, an agent, acts on behalf of another person, a principal.

Agent A party appointed to act on behalf of a principal entity or person. In context of project financing, refers to the bank in charge of administering the project financing.

Aggregate exercise price The exercise price multiplied by the number of shares in a put or call contract. The option premium is excluded in the aggregate exercise price. In the case of options traded on debt instruments, the aggregate exercise price is the exercise price of the underlying security multiplied by its face value.

Aggregation Process in corporate financial planning whereby the smaller investment proposals of each of the firm's operational units are aggregated and effectively treated as a whole.

Aggressive Growth Hedge Fund In the context of hedge funds, a style of management that focuses primarily on equities that are expected to have strong earnings growth.

Aggressive growth mutual fund A mutual fund designed for maximum capital appreciation that places its money in companies with high growth rates.

Aggressively Used in context of general equities. For a customer it means working to buy or sell one's stock, with an emphasis on execution over price. For a trader it means acting in a way that puts the firm's capital at higher risk through paying a higher price, selling cheaper, or making a larger short sale or purchase than the trader would under normal circumstances.

Aging schedule A table of accounts receivable broken down into age categories (such as 0-30 days, 30-60 days, and 60-90 days), which is used to determine if customer payments are keeping close to schedule.

AGO The three-character ISO 3166 country code for ANGOLA.

Agreement among underwriters A contract among participating members of a syndicate that defines the members' proportionate liability, which is usually limited to and based on the participants' level of involvement. The contract outlines the payment schedule on the settlement date. Compare: Underwriting agreement.

Agreement corporation Corporation chartered by a state to engage in international banking: so named because the corporation enters into an "agreement" with the Fed's Board of Governors that it will limit its activities to those permitted by an Edge Act Corporation.

Ahead of itself In context of general equities, refers to equities that are overbought or oversold on a fundamental basis.

Ahead of you Used for listed equity securities. At the same price but entered ahead of your order/interest, usually referring to the specialist's book. See: Behind, matched orders, priority, stock ahead.

AI The two-character ISO 3166 country code for ANGUILLA.

AIA The three-character ISO 3166 country code for ANGUILLA.

AIBD Association of International Bond Dealers

AIMR Performance Presentation Standards Implementation Committee The Association for Investment Management and Research (AIMR) Performance Presentation Standards Implementation Committee is charged with the responsibility to interpret, revise, and update the AIMR Performance Presentation Standards (AIMR-PPS(TM) for portfolio performance presentations.

Air Freight Consolidator An air freight carrier that does not own or operate its own aircraft but ships its cargo with actual equipment operating carriers. Consolidators issue house air waybills to their customers and receive master air waybills from the actual carriers.

Air pocket stock A stock whose price drops precipitously, often on the unexpected news of poor results.

AL The two-character ISO 3166 country code for ALBANIA.

ALA The three-character ISO 3166 country code for ALAND ISLANDS.

ALB The three-character ISO 3166 country code for ALBANIA.

ALCO See: Asset-Liability Committee.

ALCO package Reporting package that contains financial information related to the Asset-Liability Committee e.g. yield curve assumptions, net interest income projections, and economic value of equity assessments made by the firms as part of their business planning processes.

Algo or Algorithmic Trading Refers to computerized trading using proprietary algorithms. There are two types algo trading. Algo execution trading is when an order (often a large order) is executed via an algo trade. The algo program is designed to get the best possible price. It may split the order into smaller pieces and execute at different times. The second type of algo trading is not executing a set order but looking for small trading opportunities in the market. It is estimated that 50 percent of stock trading volume in the U.S. is currently being driven by algo trading. Also known as high-frequency trading.

Alien corporation A company incorporated under the laws of a foreign country regardless of where the company conducts its operations.

ALL The ISO 4217 currency code for Albanian Lek.

All equity rate The discount rate that reflects only the business risks of a project, distinct from the effects of financing.

All in Refers to an issuer's interest rate after accounting for commissions and various related expenses.

All or none order (AON) Used in context of general equities. A limited price order that is to be executed in its entirety or not at all (no partial transaction), and thus is testing the strength/conviction of the counterparty. Unlike an FOK order, an AON order is not to be treated as cancelled if not executed as soon as it is represented in the trading crowd, but instead remains alive until executed or cancelled. The making of "all or none" bids or offers in stocks is prohibited, and the making of "all or none" bids or offers in bonds is subject to the restrictions of Rule 61. AON orders are not shown on the specialist's book because they cannot be traded in pieces. Antithesis of any-part-of order. See: FOK order.

All Ordinaries Index The major stock price index in Australia. The capitalization weighted index is made up of the largest 500 companies as measured by market capitalization that are listed on the Australian Stock Exchange. The index was developed with a base value of 500 as of 1979.

All Risk Insurance Marine cargo insurance which covers most perils except strikes, riots, civil unrest, capture, war, seizure, civil war, piracy, loss of market, and inherent vice.

All-in cost Total costs, explicit and implicit.

All-in-rate Rate used in charging customers for accepting banker's acceptances, consisting of the discount interest rate plus the commission.

All-or-none underwriting An arrangement whereby a security issue is cancelled if the underwriter is unable to resell the entire issue.

Allied member A partner or stockholder of a firm that is a member of the NYSE, the partner or stockholder is not personally a member of the NYSE.

Alligator spread The term used to describe a spread in the options market that generates such a large commission that the client is unlikely to make a profit even if the markets move as the investor anticipated.

ALLL See Allowance for loan and lease losses.

Allocation-of-income rules US tax provisions that define how income and deductions are to be allocated between domestic source and foreign source income.

Allocational efficiency The effectiveness with which a market channels capital toward its most productive uses.

Allotment The number of securities assigned to each of the participants in an underwriting syndicate.

Allowance for Loan and Lease Losses A contra-account on the balance sheet used for offsetting losses on loan and lease assets.

Alpha Measure of risk-adjusted performance. Some refer to the alpha as the difference between the investment return and the benchmark return. However, this does not properly adjust for risk. More appropriately, an alpha is generated by regressing the security or mutual fund's excess return on the benchmark (for example S&P 500) excess return. The beta adjusts for the risk (the slope coefficient). The alpha is the intercept. Example: Suppose the mutual fund has a return of 25%, and the short-term interest rate is 5% (excess return is 20%). During the same time the market excess return is 9%. Suppose the beta of the mutual fund is 2.0 (twice as risky as the S&P 500). The expected excess return given the risk is $2 \times 9\% = 18\%$. The actual excess return is 20%. Hence, the alpha is 2% or 200 basis points. Alpha is also known as the Jensen Index. The alpha depends on the benchmark used. For example, it may be the intercept in a multifactor model that includes risk factors in addition to the S&P 500. Related: Risk-adjusted return.

Alpha equation Regression usually run over 36-60 months of data: Return-Treasury bill = $\alpha + \beta (\text{S\&P 500} - \text{Treasury bill}) + \text{error}$. The alpha is the intercept. Note that the benchmark does not necessarily have to be the S&P 500. A mutual fund specializing in international investment might be benchmarked to a broader world market index, such as the MSCI World Index.

Alphabet stock Categories of common stock of a corporation associated with a particular subsidiary resulting from acquisitions and restructuring. The various alphabetical categories have different voting rights and pay dividends tied to the operating performance of the particular divisions. See also: Tracking stocks.

ALT Alternative Trading System. This term is defined under section 301 of the U.S. Securities Act.

Alt-A Short for Alternative-A paper. Alt-A are loans that are considered riskier than prime loans but less risky than subprime loans. Generally made to individuals with a good credit score but some aspect of the loan (e.g. limited documentation or high loan-to-value ratio) makes the loan riskier than prime. Also see A paper, No docs.

Alternative investments Usually refers to investments in hedge funds. Many hedge funds pursue strategies that are uncommon relative to mutual funds. Examples of alternative investment strategies are: long-short equity, event driven, statistical arbitrage, fixed income arbitrage, convertible arbitrage, short bias, global macro, and equity market neutral. May also refer to the high frequency

style of commodity trading advisors who often employ technical and quantitative tools for intraday investments

Alternative Minimum Tax (AMT) A federal tax aimed at ensuring that wealthy individuals, estates, trusts, and corporations pay a minimal level income tax. For individuals, the AMT is calculated by adding adjusted gross income to tax preference items.

Alternative mortgage instruments Variations of mortgage instruments such as adjustable-rate and variable-rate mortgages, graduated-payment mortgages, reverse-annuity mortgages, and several seldom-used variations.

Alternative order Used in context of general equities. Order giving a broker a choice between two courses of action, either to buy or sell, never both. Execution of one course automatically eliminates the other. An example is a combination buy limit/ buy stop order, where the buy limit is below the current market and the buy stop is above. If the order is for one unit of trading, when one part of the order is executed on the occurrence of one alternative, the order on the other alternative is to be treated as cancelled. If the order is for an amount of more than one unit of trading, the number of units executed determines the amount of the alternative order to be treated as cancelled. Sometimes known as One Cancels the Other. Also see: Either-or order.

AM The two-character ISO 3166 country code for ARMENIA.

AMD The ISO 4217 currency code for Armenian Dram.

American Association of Individual Investors (AAII) A not-for-profit organization to educate individual investors about stocks, bonds, mutual funds, and other financial instruments.

American Depositary Receipt (ADR) Certificates issued by a US depository bank, representing foreign shares held by the bank, usually by a branch or correspondent in the country of issue. One ADR may represent a portion of a foreign share, one share or a bundle of shares of a foreign corporation. If the ADR's are "sponsored," the corporation provides financial information and other assistance to the bank and may subsidize the administration of the ADR. "Unsponsored" ADRs do not receive such assistance. ADRs are subject to the same currency, political, and economic risks as the underlying foreign share.

Arbitrage keeps the prices of ADRs and underlying foreign shares, adjusted for the SDR/ordinary ratio essentially equal. American depository shares (ADS) are a similar form of certification.

American Depositary Receipt Fees Fees associated with the creating or releasing of ADRs from ordinary shares, charged by the commercial banks with correspondent banks in the international sites.

American Depositary Receipt Ratio The number of ordinary shares into which an ADR can be converted.

American Depositary Share (ADS) Foreign stock issued in the US and registered in the ADR system.

American option An option that may be exercised at any time up to and including the expiration date. Related: European option

American shares Securities certificates issued in the US by a transfer agent acting on behalf of the foreign issuer. The certificates represent claims to foreign equities.

American Stock Exchange (AMEX) Stock exchange with the third highest volume of trading in the US. Located at 86 Trinity Place in downtown Manhattan. The bulk of trading on AMEX consists of index options (computer technology index, institutional index, major market index) and shares of small to medium-sized companies are predominant. Recently merged with Nasdaq See: Curb.

American-style option An option contract that can be exercised at any time between the date of purchase and the expiration date. Most exchange-traded equity options are American style.

AMEX See: American Stock Exchange

AMF See: Autorité des Marchés Financiers.

AMLF See: The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility.

Amman Financial Market (AFM) Established in 1976, the AFM is the only stock exchange in Jordan.

Amman Stock Exchange The only agency authorized as a formal market for trading securities in Jordan.

Amortization The repayment of a loan by installments.

Amortization factor The pool factor implied by the scheduled amortization assuming no prepayments.

Amortizing interest rate swap Swap in which the principal or notional amount declines over time.

Amount outstanding and in circulation All currency issued by the Bureau of the Mint and intended as a medium of exchange. Coins sold by the Bureau of the Mint at premium prices are not included; uncirculated coin sets sold at face value plus handling charge are included.

AMPS See: Auction Market Preferred Stock

Amsterdam Exchange (AEX) Exchange that comprises the AEX-Effectenbeurs, the AEX-Optiebeurs (formerly the European Options Exchange or EOE) and the AEX-Agrarische Termijnmarkt. AEX-Data Services is the operating company responsible for the dissemination of data from the Amsterdam Exchange via its integrated Mercury 2000 system.

AMTEL Used in context of general equities. In-house message system entered and displayed through Quotron A page.

AN The two-character ISO 3166 country code for NETHERLANDS ANTILLES.

Analyst Employee of a brokerage or fund management house who studies companies and makes buy-and-sell recommendations on stocks of these companies. Most specialize in a specific industry.

AND The three-character ISO 3166 country code for ANDORRA.

And interest An indication that the buyer will receive accrued interest in addition to the price quoted for a bond.

Andean Pact A regional trade pact that includes Venezuela, Colombia, Ecuador, Peru, and Bolivia.

ANG The ISO 4217 currency code for Netherlands Antilles Guilder.

Angel An investment-grade bond. Antithesis to fallen angel. In the context of venture capital, the first investor.

Angels Individuals providing venture capital.

Ankle biter Stock issued with a market capitalization of less than \$500 million.

Announcement date Date on which particular news concerning a given company is announced to the public. Used in event studies, which researchers use to evaluate the economic impact of events of interest.

Annual basis The technique in statistics of taking a figure covering a period of less than one year and extrapolating it to cover a full one year period. The process is known as annualizing.

Annual effective yield See: Annual percentage yield.

Annual exclusion A tax rule allowing the deduction of certain income from taxation.

Annual fund operating expenses For investment companies, the management fee and “other expenses,” including the expenses for maintaining shareholder records, providing shareholders with financial statements, and providing custodial and accounting services. For 12b-1 funds, selling and marketing costs are also included.

Annual meeting Meeting of stockholders held once a year at which the managers of a company report to the stockholders on the year’s results.

Annual percentage rate (APR) In the context of credit cards, the periodic rate times the number of periods in a year. For example, a 1.5% monthly rate has an APR of 18%. In the context of consumer lending, the APR takes into account more than the interest rate applied to the principal per period. Under the Truth in Lending Act, it has a specific definition and includes all the costs paid by a non-exempt consumer borrower that are considered a “finance charge,” including fees paid to third parties by the lender if not properly disclosed and excluded from the finance charge (such as credit insurance).

Annual percentage yield (APY) The effective, or true annual rate of return. The APY is the rate actually earned or paid in one year, taking into account the effect of compounding. The APY is calculated by taking one plus the periodic rate, raising it to the number of periods in a year and then subtracting one. For example, a 1% per month rate has an APY of 12.68% ($1.01^{12} - 1$).

Annual rate of return There are many ways of calculating the annual rate of return. If the rate of return is calculated on a monthly basis, we sometimes multiply this by 12 to express an annual rate of return. This is often called the annual percentage rate (APR). The annual percentage yield (APY) includes the effect of compounding interest.

Annual renewable term insurance See: Term insurance.

Annual report Yearly record of a publicly held company’s financial condition. It includes a description of the firm’s operations, as well as balance sheet, income statement, and cash flow statement information. SEC rules require that it be distributed to all shareholders. A more detailed version is called a 10-K.

Annualized gain If stock X appreciates 1.5% in one month, the annualized gain for that stock over a twelve month period is $(12 \times 1.5\%) = 18\%$. Compounded over the 12 month period, the gain is $(1.015)^{12} - 1 = 19.6\%$.

Annualized holding-period return The annual rate of return that when compounded t times generates the same t -period holding return as actually occurred from period 1 to period t .

Annualizing See: Annual basis.

Annuitant An individual who receives benefits from an annuity.

Annuitize To commence a series of payments from the capital that has accumulated in an annuity. The payments may be a fixed amount, for a fixed period of time, or for a lifetime.

Annuity A regular periodic payment made by an insurance company to a policyholder for a specified period of time.

Annuity certain An annuity that pays a specific amount on a monthly basis for a set amount of time.

Annuity due An annuity with n payments, where the first payment is made at time $t = 0$, and the last payment is made at time $t = n - 1$.

Annuity factor Present value of \$1 paid for each of t periods.

Annuity in arrears An annuity with a first payment one full period hence, rather than immediately.

Annuity starting date The date when an annuitant starts receiving payments from an annuity.

ANT The three-character ISO 3166 country code for NETHERLANDS ANTILLES.

Anti-Persistence In R/S Analysis, an anti-persistent time series reverses itself more often than a random series would. If the system had been up in the previous period, it is more likely that it will be down in the next period and vice versa. Also called pink noise, or $1/f$ noise. See: Persistence, R/S Analysis, Hurst Exponent, Joseph Effect, Noah Effect.

Anticipated holding period The period of time an individual expects to hold an asset.

Anticipation Paying what is owed before it is due (usually to save interest charges).

Antidilutive effect Result of a transaction that increases earnings per common share (e.g., by decreasing the number of shares outstanding).

Antigreenmail Greenmail refers to the agreement between a large shareholder and a company in which the shareholder agrees to sell his stock back to the company, usually at a premium, in exchange for the promise not to seek control of the company for a specified period of time. Antigreenmail provisions prevent such arrangements unless the same repurchase offer is made to all shareholders or approved by shareholder vote. There are some states that have antigreenmail laws.

Antitrust laws Legislation established by the federal government to prevent the formation of monopolies and to regulate trade.

Any-interest-date A call provision in a municipal bond indenture that establishes the right of redemption for the issuer on any interest payment due date.

Any-or-all bid Often used in risk arbitrage. Takeover bid in which the acquirer offers to pay a set price for all outstanding shares of the target company, or any part thereof; contrasts with two-tier bid.

Any-part-of order In context of general equities, order to buy or sell a quantity of stock in pieces if necessary. Antithesis of an all-or-none order (AON).

AO The two-character ISO 3166 country code for ANGOLA.

AOCI See: Accumulated Other Comprehensive Income.

AON See: All or none order

AOR The ISO 4217 currency code for Angolan Reajustado Kwanza.

AOS See: Automated Order System

Applied mathematics The study of the application of mathematical principles to domains outside of mathematics itself. Although the branches of mathematics within this categorization change with time, applied mathematics typically involves the use of differential equations, numerical analysis, and statistics with areas of knowledge such as engineering, biology, physics, computer science, economics, and finance.

Appraisal ratio The signal-to-noise ratio of an analyst's forecasts. The ratio of alpha to residual standard deviation.

Appraisal rights A right of shareholders in a merger to demand the payment of a fair price for their shares, as determined independently.

Appreciation Increase in the value of an asset.

Appropriation request Formal request for funds for capital investment project.

Approved list A list of equities and other investments that a financial institution or mutual fund is allowed to invest in. See: Legal list.

APR See: Annual Percentage Rate

APS Auction Preferred Stock. A type of Dutch Auction Preferred Stock (Goldman Sachs product).

APT (1) See: Arbitrage Pricing Theory

APT (2) See: Automated Pit Trading

APV See: Adjusted Present Value

APY See: Annual Percentage Yield

AQ The two-character ISO 3166 country code for ANTARCTICA.

AR The two-character ISO 3166 country code for ARGENTINA. AR The two-character ISO 3166 country code for ARGENTINA.

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Arbitrage The simultaneous buying and selling of a security at two different prices in two different markets, resulting in profits without risk. Perfectly efficient markets present no arbitrage opportunities. Perfectly efficient markets seldom exist, but, arbitrage opportunities are often precluded because of transactions costs.

Arbitrage bonds Municipality issued bonds issued intended to gain an interest rate advantage by refunding a higher-rate bond in ahead of their call date. Lower-rate refunding issue proceeds are invested in Treasuries until the first call date of the higher-rate issue.

Arbitrage Pricing Theory (APT) An alternative model to the capital asset pricing model developed by Stephen Ross and based purely on arbitrage arguments. The APT implies that there are multiple risk factors that need to be taken into account when calculating risk-adjusted performance or alpha.

Arbitrage Trading Program (ATP) See: Program trading.

Arbitrage-free option-pricing models Yield curve option-pricing models.

Arbitrageur One who profits from the differences in price when the same, or extremely similar, security, currency, or commodity is traded on two or more markets. The arbitrageur profits by simultaneously purchasing and selling these securities to take advantage of pricing differentials (spreads) created by market conditions. See: Risk arbitrage, convertible arbitrage, index arbitrage, and international arbitrage.

Arbs Short for Arbitrageurs..

ARCH See: Auto-Regressive Conditional Heteroskedasticity

ARE The three-character ISO 3166 country code for UNITED ARAB EMIRATES.

ARG The three-character ISO 3166 country code for ARGENTINA. ARG The three-character ISO 3166 country code for ARGENTINA.

ARG The three-character ISO 3166 country code for ARGENTINA. ARG The three-character ISO 3166 country code for ARGENTINA.

Arithmetic average (mean) rate of return Arithmetic mean return.

Arithmetic mean return An average of the subperiod returns, calculated by summing the subperiod returns and dividing by the number of subperiods.

Arizona Stock Exchange A single price auction exchange for equity trading that allows anonymous buyers and sellers to trade at low transaction costs.

ARM 2) See: Adjustable-rate mortgage ARM 2) See: Adjustable-rate mortgage

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Arm's length price The price at which a willing buyer and a willing unrelated seller would freely agree to transact or a trade between related parties that is conducted as if they were unrelated, so that there is no conflict of interest in the transaction.

ARMS See: Adjustable-rate mortgage securities

Arms index Also known as a TRading INdex (TRIN). The index is usually calculated as the number of advancing issues divided by the number of declining issues. This, in turn, is divided by the advancing volume divided by the declining volume. If there is considerably more advancing volume relative to declining volume this will tend to reduce the index (i.e. increase the denominator). Hence, a value less than 1.0 is bullish while values greater than 1.0 indicate bearish demand. The index often is smoothed with a simple moving average.

Around us Used in context of general equities. See: Away from you.

ARPS (1) See: Adjustable-rate preferred stock ARPS (2) See: Auction rate preferred stock

ARPS (1) See: Adjustable-rate preferred stock ARPS (2) See: Auction rate preferred stock

ARR See: Average rate of return

Arranger The senior tier of a syndication. This implies the entity that agreed and negotiated the project financing structure. Also refers to the bank or underwriter entitled to syndicate the loan or bond issue. Also known as the lead underwriter.

Arrearage In the context of investments, refers to the amount by which interest on bonds or dividends on cumulative preferred stock is due and unpaid.

ARS The ISO 4217 currency code for Argentinian Peso. ARS The ISO 4217 currency code for Argentinian Peso.

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Articles of incorporation Legal document establishing a corporation and its structure and purpose.

Artificial currency A currency substitute, e.g., special drawing rights (SDRs).

Artificial Intelligence The creation of models that mimic thought processes. See: Neural Networks, Fuzzy Logic, and Genetic Algorithms.

AS The two-character ISO 3166 country code for AMERICAN SAMOA.

Ascending tops A chart pattern that depicts that each peak in a security's price over a period of time is higher than the preceding peak. Antithesis of descending tops.

ASE See: Athens Stock Exchange.

Asia-Pacific Economic Cooperation Pact (APEC) A loose economic affiliation of Southeast Asian and Far Eastern nations. The most prominent members are China, Japan, and Korea.

Asian Currency Units (ACU) Dollar deposits held in Singapore or other Asian centers.

Asian Development Bank A financial-institution established in 1966 to reduce poverty in the Asia-Pacific region. The bank is headquartered in Manila, Philippines and consists of 61 member countries.

Asian dollar market Asian banks that collect deposits and make loans denominated in US dollars.

Asian option Option based on the average price of the underlying assets during the life of the option.

Ask This is the quoted ask, or the lowest price an investor will accept to sell a stock. Practically speaking, this is the quoted offer at which an investor can buy shares of stock; also called the offer price.

Asked price In context of general equities, price at which a security or commodity is offered for sale on an exchange or in the OTC Market.

Asked to bid/offer Used in context of general equities. Usually a seller (buyer) looking to aggressively sell (buy) stock, usually asking for a capital commitment from an investment bank.

ASM The three-character ISO 3166 country code for AMERICAN SAMOA.

Aspirin Australian Stock Price Riskless Indexed Notes. Zero-coupon four-year bonds repayable at face value plus the percentage increase by which the Australian stock index of all ordinaries (common stocks) rises above a predefined level during the given period.

Assay Metal purity test to confirm that the metal meets the standards for trading on a commodities exchange (commodities exchange center).

Assessed valuation The value assigned to property by a municipality for the purpose of tax assessment. Such an assessed valuation is important to investors in municipal bonds that are backed by property taxes.

Asset Any possession that has value in an exchange.

Asset activity ratios Ratios that measure how effectively the firm is managing its assets.

Asset allocation decision The decision regarding how an institution's funds should be distributed among the major classes of assets in which it may invest.

Asset allocation mutual fund A mutual fund that rotates among stocks, bonds, and money market securities to maximize return on investment and minimize risk.

Asset Backed Commercial Paper (ABCP) Short term debt secured by assets.

Asset classes Categories of assets, such as stocks, bonds, real estate, and foreign securities.

Asset Depreciation Range System A range of depreciable lives the IRS allows for particular classes of assets.

Asset for asset swap Creditors exchange the debt of one defaulting borrower for the debt of another defaulting borrower.

Asset impairment See Impairment.

Asset management account Account at a brokerage house, bank, or savings institution that integrates banking services and brokerage features.

Asset play A company with assets that are not believed to be accurately reflected in its stock price, making it an attractive buy or play.

Asset pricing model A model for determining the required or expected rate of return on an asset. Related: Capital asset pricing model and arbitrage pricing theory.

Asset stripper A corporate raider (company A) that takes over a target company (company B) in order to sell large assets of company B to repay debt. Company A calculates that the net, selling off the assets and paying off the debt, will leave the raider with assets that are worth more than what it paid for company B.

Asset substitution Occurs when a firm invests in assets that are riskier than those that the debtholders expected.

Asset substitution problem Arises when the stockholders substitute riskier assets for the firm's existing assets and expropriate value from the debtholders.

Asset swap An interest rate swap used to alter the cash flow characteristics of an institution's assets in order to provide a better match with its liabilities.

Asset turnover The ratio of net sales to total assets.

Asset value The net market value of a corporation's assets on a per-share basis, not the market value of the shares. A company is undervalued in the market when asset value exceeds market value.

Asset-backed security A security that is collateralized by loans, leases, receivables, or installment contracts on personal property, not real estate.

Asset-based financing Methods of financing in which lenders and equity investors look principally to the cash flow from a particular asset or set of assets for a return on, and the return of, their financing.

Asset-coverage test A bond indenture restriction that permits additional borrowing if the ratio of assets to debt does not fall below a specified minimum.

Asset/equity ratio The ratio of total assets to stockholder equity.

Asset/Liability Committee (ALCO) A risk management committee in a bank that evaluates the risk associated with the bank's assets and liabilities. It manages interest rate risk while ensuring adequate returns and liquidity.

Asset/liability management The task of managing the funds of a financial institution to accomplish two goals: (1) to earn an adequate return on funds invested and (2) to maintain a comfortable surplus of assets beyond liabilities. Also called surplus management.

Assets A firm's productive resources.

Assets requirements A common element of a financial plan that describes projected capital spending and the proposed uses of net working capital.

Assets under management The market value of assets that an investment company manages on behalf of investors. For investment managers, assets under management is viewed as a measure of success.

Assets-in-place Property in which a firm has already invested.

Assignment The receipt of an exercise notice by an options writer that requires the writer to sell (in the case of a call) or purchase (in the case of a put) the underlying security at the specified strike price.

Assignment of proceeds Arrangement that allows the original beneficiary of a letter of credit to pledge or turn over proceeds to another, typically end supplier.

Assimilation The public absorption of a new issue of stocks once the stock has been completely sold by underwriter. See: Absorbed.

Association of Southeast Asian Nations (ASEAN) A loose economic and geopolitical affiliation that includes Singapore, Brunei, Malaysia, Thailand, the Philippines, Indonesia, and Vietnam. Future members are likely to include Burma, Laos, and Cambodia.

Assumed debt A debt obligation of an acquired company that becomes an obligation of the acquirer.

Assumed interest rate Rate of interest used by an insurance company to calculate the payout on an annuity contract.

Assumption Becoming responsible for the liabilities of another party.

ASX See: Australian Stock Exchange

ASX Derivatives and Options Market (ASXD) Options market trading options on more than 50 of Australia's and New Zealand's leading companies.

Asymmetric information Information that is known to some people but not to other people.

Asymmetric taxes When participants in a transaction have different net tax rates.

Asymmetric volatility Phenomenon that volatility is higher in down markets than in up markets.

Asymmetry A lack of equivalence between two things, such as the unequal tax treatment of interest expense and dividend payments.

AT The two-character ISO 3166 country code for AUSTRIA.

At par A price equal to nominal or face value of a security. See: Par.

At risk The exposure to the danger of economic loss. Frequently used in the context of claiming tax deductions. For example, a person can claim a tax deduction in a limited partnership if the taxpayer can show it is at risk of never realizing a profit and of losing its initial investment. See: Value at risk.

At the bell In context of general equities, at the opening or close of the market. See: MOC Order.

At the close order In the context of securities, an all or none market order that is to be executed at the closing price of the security on the exchange. If the execution cannot be made under this condition, the order is to be treated as cancelled. In the context of futures and options, refers to a contract that is to be executed on some exchanges during the closing period, a period in which there is a range of prices.

At the figure In context of general equities, at the whole integer price (excluding the fraction) closest to the side of the market (bid/ask) being discussed. At the full.

At the full Used in context of general equities. At the figure.

At the market See: Market order.

At the opening order In context of general equities, market order or limited price order that is to be executed at the opening (and corresponding price) of the stock or not at all, and any such order or portion thereof not so executed is to be treated as cancelled.

At-the-money An option is at the money if the strike price of the option is equal to the market price of the underlying security. For example, if xyz stock is trading at 54, then the xyz 54 option is at the money.

At/for Used in context of general equities. Paramount terms used to differentiate an offering. Stock is offered at; stock is bid for. In an offering, the trading syntax followed is “Quantity-at-Price”; in a bid, the syntax followed is “Price-for-Quantity.”

ATA The three-character ISO 3166 country code for ANTARCTICA.

ATF The three-character ISO 3166 country code for FRENCH SOUTHERN TERRITORIES.

ATG The three-character ISO 3166 country code for ANTIGUA AND BARBUDAAG.

Athens Stock Exchange Greece’s only major securities market. Greek language only.

Athens Stock Exchange (ASE) Greece’s principal stock exchange.

ATP See: Arbitrage Trading Program

ATS The ISO 4217 currency code for Austrian Schilling.

Attractor In non-linear dynamic series, an attractor defines the equilibrium level of the system. See: Point Attractor, Limit Cycle, and Strange Attractor.

Attribute bias The tendency of stocks preferred by the dividend discount model to share certain equity attributes such as low price-earnings ratios, high dividend yield, high book value ratio, or membership in a particular industry sector.

AU The two-character ISO 3166 country code for AUSTRALIA.

Auction Market Preferred Stock (AMPS) A type of Dutch Auction Preferred Stock (A Merrill Lynch product).

Auction markets Markets in which the prevailing price is determined through the free interaction of prospective buyers and sellers, as on the floor of the stock exchange.

Auction rate preferred stock (ARPS) Floating rate preferred stock, whose dividend is adjusted every seven weeks through a Dutch auction.

Auction Rate Securities (ARS) Long term bonds whose interest rate may be reset at regular short-term intervals by an auction process

AUD The ISO 4217 currency code for Australian Dollar currency.

Audit An examination of a company's accounting records and books conducted by an outside professional in order to determine whether the company is maintaining records according to generally accepted accounting principles. See: accountant's opinion.

Audit trail Resolves the validity of an accounting entry by a step-by-step record by which accounting data can be traced to their source.

Auditor's certificate See: Accountant's opinion.

Auditor's report A section of an annual report that includes the auditor's opinion about the veracity of the financial statements.

AUM See: Assets under management

Aunt Millie An unsophisticated investor.

AUS The three-character ISO 3166 country code for AUSTRALIA.

Australian Stock Exchange (ASX) Australia's major securities market, formed when the six state stock exchanges (Adelaide, Brisbane, Hobart, Melbourne, Perth, and Sydney stock exchanges) were merged in 1987.

AUT The three-character ISO 3166 country code for AUSTRIA.

Autarky Absence of a cross-border trade in models of international trade.

Autex Video communication network through which brokerage houses alert institutional investors of their desire to transact block business (a purchase or sale) in a given security. Indications transmit small, medium, and large sizes only, with occasional limits mentioned. Supers are messages with specific size and price included. Both "indications" and "supers" can be only seen by customers (institutional subscribers to Autex). Trade recaps, advertised block trades entered by the dealer/subscribers, are also displayed, but can be seen by both institutions and dealers. See: Expunge, size.

Authentication In the context of bonds, refers to the validation of a bond certificate.

Authority bond A bond issued by a government agency or a corporation created to manage a revenue-producing public enterprise. The difference between an authority bond and a municipal bond is that margin protections may be

incorporated in the authority bond contract as well as in the legislation that enables the authority.

Authorized shares Number of shares authorized for issuance by a firm's corporate charter.

Auto-Regressive (AR) Process A stationary stochastic process where the current value of the time series is related to the past p values, where p is any integer, is called an AR(p) process. When the current value is related to the previous two values, it is an AR(2) process. An AR(1) process has an infinite memory.

Autocorrelation The correlation of a variable with itself over successive time intervals. Sometimes called serial correlation.

Automated bond system (ABS) The computerized system that records bids and offers for inactively traded bonds until they are cancelled or executed on the NYSE.

Automated Clearing House (ACH) A collection of 32 regional electronic inter-bank networks used to process transactions electronically with a guaranteed one-day bank collection float.

Automated Customer Account Transfer (ACAT) For transfers of securities from a non-equity trading account to your equity trading account with your broker.

Automated Export System Electronic filing of Shippers Export Declaration (SEDs) with US Customs prior to departure.

Automated Order System (AOS) Investment bank computerized order entry system that sends single order entries to DOT (Odd-Lot) or to investment banks floor brokers on the exchange. See: Round lot, GTC orders.

Automated Pit Trading (APT) Introduced in 1989, APT is the LIFFE screen-based trading system that replicates the open outcry method of trading on screen. APT is used to extend the trading day for the major futures contracts as well as to provide a daytime trading environment for non-floor trading products.

Automated teller machine (ATM) Computer-controlled terminal located on the premises of financial institutions or elsewhere, through which customers may make deposits, withdrawals or other transactions as they would through a bank teller. Other terms sometimes used to describe such terminals are customer-bank communications terminal (CBCT) and remote service unit (RSU). Groups of banks sometimes share ATMs. Sometimes called Automated Banking Machines.

Automatic Data Processing (ADP), Inc. A company that acts as an intermediary to perform proxy services for several banks and brokers. Distributes proxy material to beneficial owners, tabulates the returned proxies, and provides the Corporation or its tabulator compiled reports of the tabulation results. ADP also distributes quarterly reports and other corporate information to the beneficial owners. ADP also provides timely information on U.S. payrolls. The ADP employment release usually precedes the U.S. Non-Farm Payrolls release by two days.

Automatic exercise A protection procedure whereby the Options Clearing Corporation attempts to protect the holder of an expiring in-the-money option by automatically exercising the option on behalf of the holder.

Automatic extension An automatic extension of time granted to a taxpayer to file a tax return.

Automatic funds transfer A transfer of funds from one account or investment vehicle to another using electronic or telecommunications technology.

Automatic investment program A program in which an investor can invest or withdraw funds automatically. A mutual fund, for example, automatically withdraws a pre-determined specified amount from the investor's bank account on a regular basis.

Automatic reinvestment See: Constant dollar plan.

Automatic stay The restricting of liability holders from collection efforts related to collateral seizure. Automatically imposed when a firm files for bankruptcy under Chapter 11.

Automatic transfer service (ATS) account A depositor's saving account from which funds may be transferred automatically to the same depositor's checking account to cover a check written or to maintain a minimum balance.

Automatic withdrawal A mutual fund that gives shareholders the right to receive a fixed payment from dividends on a quarterly or monthly basis.

Autoquote Autoquote indicative prices are generated for many of the financial options contracts traded at LIFFE using standard mathematical models as derived by Black and Scholes and Cox, Ross, Rubinstein. Autoquote calculates prices for all series by processing variables captured in real-time from other systems and trading members each time the underlying price changes. Autoquotes indicate where a series may trade, given the current level of the underlying instrument.

Autoregressive Using past data or variable of interest to predict future values of the same variable.

Autoregressive Conditional Heteroskedasticity (ARCH) A nonlinear stochastic process, where the variance is time-varying, and a function of the past variance. ARCH processes have frequency distributions which have high peaks at the mean and fat-tails, much like fractal distributions. The ARCH model was invented by Robert Engle. The Generalized ARCH (GARCH) model is the most widely used and was pioneered by Tim Bollerslev. See: Fractal Distributions.

Autoriteit Financiële Markten (AFM) Dutch supervisory authority for the Dutch financial markets. The Netherlands' financial regulator.

Autorité des Marchés Financiers (AMF) France's supervisory authority for the French financial markets. French financial regulator.

Availability The period in which the project financing is available for drawdown.

Availability float Checks deposited by a company that have not yet been cleared.

Available cash flow Total cash sources less total cash uses before payment of debt service.

Available for Sale Investment in securities where the intention is not to trade in the short-term and they may or may not be held to maturity. These are usually reported at market value. Unrealized gains or losses on these investments do not appear in Net Income but in the Accumulated Other Comprehensive Income account. Also see Held to Maturity, Trading Securities.

Available on the way in In context of general equities, stock is available to new customer as trade initiated by another customer is about to be consummated (on the exchange floor). Usually said to an inquiring salesperson. See: Open.

Aval Term meaning inseparable from the financial instrument. This gives a guarantee and is abstracted from the performance of the underlying trade contract: Article 31 of the 1930 Geneva Convention of the Bills Of Exchange states that the aval can be written on the bill itself or on an allonge. US Banks are prohibited from avalizing drafts.

Avalizor An institution or person who gives the aval.

Average An arithmetic mean return of selected stocks intended to represent the behavior of the market or some component of it. One good example is the widely quoted Dow Jones Industrial Average, which adds the current prices of the 30 DJIA stocks, and divides the results by a predetermined number, the divisor.

Average (across-day) measures An estimation of price that uses the average or representative price of a large number of trades.

Average accounting return The average project earnings after taxes and depreciation divided by the average book value of the investment during its life.

Average age of accounts receivable The weighted-average age of all the firm's outstanding invoices.

Average collection period, or days' receivables The ratio of accounts receivables to sales, or the total amount of credit extended per dollar of daily sales (average $AR/sales \times 365$).

Average cost In the context of investing, refers to the average cost of shares or stock bought at different prices over time.

Average cost of capital A firm's required payout to bondholders and stockholders expressed as a percentage of capital contributed to the firm. Average cost of capital is computed by dividing the total required cost of capital by the total amount of contributed capital.

Average daily balance A method for calculating interest in which the balance owed each day by a customer is divided by the number of days. See also: Adjusted balance method and previous balance method.

Average discount rate Purchasers tender their competitive bids on a discount rate basis. The weighted, or adjusted mean of all bids accepted in Treasury bill auctions.

Average down A strategy used by investors to reduce the average cost of shares, in which the investor purchases more shares with a fixed amount of capital as the price of the shares decreases. The investor receives more shares per dollar and decreases the average price per share.

Average equity A customer's average daily balance in a trading account at a brokerage firm.

Average life Also referred to as the weighted-average life (WAL). The average number of years that each dollar of unpaid principal due on the mortgage remains outstanding. Average life is computed as the weighted-average time to the receipt of all future cash flows, using as the weights the dollar amounts of the principal paydowns.

Average maturity The average time to maturity of securities held by a mutual fund. Changes in interest rates have greater impact on funds with longer average maturity.

Average rate of return (ARR) The ratio of the average cash inflow to the amount invested.

Average tax rate Taxes as a fraction of income; total taxes divided by total taxable income.

Average up A strategy used by investors to lower the overall cost of shares by buying as many shares with a given amount of capital in an increasing market. Buying \$1000 worth of shares at \$30, \$35, \$40, and \$45, for instance, will make the average cost of the shares \$36.65, lower than the average price of \$37.50.

Averaging See: Constant dollar plan.

Avoided cost In context of project financing, the capital and expense that would have to be spent if the project did not proceed.

AW The two-character ISO 3166 country code for ARUBA.

Away A trade, quote, or market that does not originate with the dealer in question, e.g., "the bid is 98-10 away from me."

Away from the market In context of general equities, out of line with the inside market at this time, such as when a bid on a limit order is lower or the offer price is higher than the current market price for the security; held by the specialist for later execution unless FOK. Antithesis of in-line.

Away from us Used in context of general equities, to characterize role of a competing broker/dealer. Trading away from us signifies that stock is bought and/or sold with institutions using other trading firms.

Away from you Used for listed equity securities. See: Outside of you.

AWG The ISO 4217 currency code for Aruban Guilder.

AX The two-character ISO 3166 country code for ALAND ISLANDS.

Axe to grind Used in context of general equities. Involvement in a security, whether through a position, order, or inquiry.

AZ The two-character ISO 3166 country code for AZERBAIJAN.

AZE The three-character ISO 3166 country code for AZERBAIJAN.

AZM The ISO 4217 currency code for Azerbaijani Manat.

B Fifth letter of a Nasdaq stock descriptor specifying that issue is the Class B shares of the company.

B1 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated B1 are considered speculative and are subject to high credit risk. Rating one notch higher is Ba3. Rating one notch lower is B2

B2 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated B2 are considered speculative and are subject to high credit risk. Rating one notch higher is B1. Rating one notch lower is B3

B2B An Internet strategy of dealing directly with businesses, rather than consumers, i.e. business to (2) business.

B3 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated B3 are considered speculative and are subject to high credit risk. Rating one notch higher is B2. Rating one notch lower is Caa1

BA The two-character ISO 3166 country code for BOSNIA AND HERZEGOVINA.

Ba1 The highest rating of speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Ba1 are judged to have speculative elements

and are subject to substantial credit risk. Rating one notch higher is Baa3. Rating one notch lower is Ba2

Ba2 The second highest rating of speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Ba2 are judged to have speculative elements and are subject to substantial credit risk. Rating one notch higher is Ba1. Rating one notch lower is Ba3

Ba3 The third highest rating of speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Ba1 are judged to have speculative elements and are subject to substantial credit risk. Rating one notch higher is Ba2. Rating one notch lower is B1

Baa1 The eighth highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Baa1 are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. Rating one notch higher is A3. Rating one notch lower is Baa2

Baa2 The ninth highest rating in Moody's Long-term Corporate Obligation Rating. Obligations rated Baa2 are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. Rating one notch higher is Baa1. Rating one notch lower is Baa3

Baa3 The lowest rating of investment grade Moody's Long-term Corporate Obligation Rating. Obligations rated Baa3 are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. Rating one notch higher is Baa2. Rating one notch lower is Ba1

Baby bond A bond with a par value of less than \$1000.

Back away In the context of general equities, to withdraw from a previously declared interest, indication, or transaction; broker-dealer's failure, as a market maker in a given security, to make good on a bid/offer for the minimum quantity.

Back fee The fee paid on the extension date if the buyer wishes to continue the option.

Back months In the context of futures and options trading, refers to the months of contracts with expiration dates farthest away. See farthest month.

Back office Brokerage house clerical operations that support, but do not include, the trading of stocks and other securities. All written confirmation and settlement of trades, record keeping, and regulatory compliance happen in the back office.

Back on the shelf In the context of general equities, permanently canceled order/interest in a stock by a customer. See: Take a powder.

Back taxes Due taxes that have not been paid on time.

Back up (1) When bond yields rise and prices fall, the market is said to back up. (2) An investor who swaps out of one security into another of shorter current maturity is said to back up.

Back up the truck In the context of general equities, “Prepare for a very large buyer.”

Back-end load fund A mutual fund that charges investors a fee to sell (redeem) shares, often ranging from 4% to 6%. Some back-end load funds impose a full commission if the shares are redeemed within a designated length of time, such as one year. The commission decreases, the longer the investor holds the shares. The formal name for the back-end load is the contingent deferred sales charge, or CDSC

Back-testing Creating a hypothetical portfolio performance history by applying current asset selection criteria to prior time periods.

Back-to-back financing An intercompany loan channeled through a bank.

Back-to-back loan A loan in which two companies in separate countries borrow each other’s currency for a specific time period and repay the other’s currency at an agreed-upon maturity.

Backdating In the context of mutual funds, a feature allowing fundholders to use an earlier date on a letter of intent to invest in a mutual fund in exchange for a reduced sales charge, e.g. Giving retroactive value to purchases from the earlier date. In the context of corporate governance, the illegal practice of setting the date of options awarded as part of executive compensation to a period when the stock price was very low (rather than setting the date of the options on the date the award was made).

Backdoor listing See Going public through the backdoor..

Backed in In the context of general equities, to describe the result of unanticipated events that allow for a purchase at a discount or a sale at a premium.

Backup line A commercial paper issuer's bank line of credit covering maturing notes if, for some reason, selling new notes to cover the maturing notes is not possible.

Backup Line of Credit A bank assurance of funds obtained by an issuer of commercial paper to protect the CP investor from default. The issuer pays a commitment fee to the bank.

Backup Withholding Withholding of a certain amount of investment income (e.g. interest, dividends) by banks and other businesses under conditions such as missing Taxpayer Identification Number (TIN) or under directions from the IRS. Also see: TEFRA, W-8, W-9.

Backwardation A market condition in which futures prices are lower in the distant delivery months than in the nearest delivery month. This may occur when the costs of storing the product until eventual delivery are effectively subtracted from the price today. The opposite of contango.

Bad bank A government owned entity that takes over and liquidates toxic assets from failed or declining financial institutions to leave them with a clean balance sheet. The strategy was last used during the Savings and Loan crisis of 1980s where this entity was called the Resolution Trust Corporation.

Bad debt A debt that is written off and deemed uncollectible.

Bad delivery Antithesis of good delivery.

Bad title Title to property that does not distinctly confer ownership, usually in the context of real estate.

BaFin See: Bundesanstalt für Finanzdienst-leistungsaufsicht.

Bai-kai Two-sided market picture, in Japanese terminology applies mainly to international equities.

Bailing out In the context of securities, refers to selling a security or commodity quickly, regardless of the price. May occur when an investor no longer wants to sustain further losses on a stock. Also refers to relieving an individual, corporation, or government entity in financial trouble.

Bailout A capital infusion offered to a business with a national or multi-national footprint that is in danger of bankruptcy, insolvency, or total liquidation. Financial aid can be provided in the form of debt or equity offerings, cash contributions, or some form of loan or line of credit, and is often accompanied by greater government oversight and regulation. The failure of a business that employs thousands or plays an influential role in the economy potentially can send shock waves throughout the entire economy, including other industries. The credit crisis that began in 2007 created numerous failures around the world, which resulted in a large number of government-sponsored bailouts in almost every industry across the globe. See: Conservator, Conservatorship.

Bailout bond A bond issued by the Resolution Funding Corporation (Refcorp) to save the failing savings and loan associations in the late 1980s and early 1990s.

Baker Plan A plan by former U.S. Treasury Secretary James Baker under which 15 principal middle-income debtor countries (the Baker 15) would undertake growth-oriented structural reforms, to be supported by increased financing from the World Bank and continued lending from commercial banks.

Balance of payments A statistical compilation formulated by a sovereign nation of all economic transactions between residents of that nation and residents of all other nations during a stipulated period of time, usually a calendar year.

Balance of trade Net flow of goods (exports minus imports) between two countries.

Balance on goods and services Netting of transaction balances, including the net amount of payments of interest and dividends to foreign investors and investments, as well as receipts and payments resulting from international tourism. Also known as Trade Balance.

Balance sheet Also called the statement of financial condition, it is a summary of a company's assets, liabilities, and owners' equity.

Balance sheet exposure See: Accounting exposure.

Balance sheet identity $\text{Total assets} = \text{Total liabilities} + \text{Total stockholders' equity}$.

Balanced budget A budget in which the income equals expenditure. See: budget.

Balanced fund An investment company that invests in stocks and bonds. The same as a balanced mutual fund.

Balanced mutual fund This is a fund that buys common stock, preferred stock, and bonds. The same as a balanced fund.

Balloon interest In the context of serial bond issues, the elevated coupon rate on bonds with late maturities.

Balloon maturity Any large principal payment due at maturity for a bond or loan with or without a sinking fund requirement.

Balloon Payment The final (large) payment that repays all the remaining principal and interest of a partially amortized or unamortized loan. See: Bullet.

Ballot The document distributed at the annual meeting to shareholders of record who wish to vote their shares in person.

Baltic Dry Index (BDI) An index that tracks the price of transporting dry bulk cargo like cement, coal, iron ore, and grain on bulk freighters. As many of these commodities are raw materials that go into production of finished goods, the BDI is often taken to be an indicator of economic growth and production. The index is maintained by the London-based Baltic Exchange.

BAM The ISO 4217 currency code for Bosnia & Herzegovinan Convertible Mark.

BAN See: Bank anticipation notes

Bank anticipation notes (BAN) Notes issued by states and municipalities to obtain interim financing for projects that will eventually be funded long term through the sale of a bond issue.

Bank collection float The time that elapses between when a check is deposited into a bank account and when the funds are available to the depositor, during which period the bank is collecting payment from the payer's bank.

Bank discount basis A convention used for quoting bids and offers for Treasury bills in terms of annualized yield, based on a 360-day year.

Bank draft A draft addressed to a bank.

Bank for International Settlements (BIS) An international bank headquartered in Basel, Switzerland, which serves as a forum for monetary cooperation among several European central banks, the Bank of Japan, and the US Federal Reserve System. Founded in 1930 to handle the German payment of World War I reparations, it now monitors and collects data on international banking activity and promulgates rules concerning international bank regulation.

Bank holding company A company that owns or has controlling interest in two or more banks and/or other bank holding companies.

Bank Insurance Fund (BIF) A unit of the Federal Deposit Insurance Corporation (FDIC) that provides deposit insurance for banks excluding thrifts.

Bank Investment Contract (BIC) Interest guaranteed by the bank in a portfolio over a specific time frame with a specific yield.

Bank Letter of Credit Policy Standards allowing banks to confirm letters of credit by foreign banks supporting the purchase of US exports.

Bank line Line of credit that a bank grants to a customer.

Bank loan Usually refers to a loan or a line of credit expended to a corporation from a traditional bank. Also see: Leveraged loan

Bank note A term used synonymously with paper money or currency issued by a bank. Notes are, in effect, a promise to pay the bearer on demand the amount stated on the face of the note. Today, only the Federal Reserve Banks are authorized to issue bank notes, i.e. Federal Reserve notes, in the United States.

Bank of England (BoE) The central bank of England.

Bank of Japan (BoJ) The central bank of Japan.

Bank regulation The formulation and issuance by authorized agencies of specific rules or regulations, under governing law, for the conduct and structure of banking.

Bank run (bank panic) A series of unexpected cash withdrawals caused by a sudden decline in depositor confidence or fear that the bank will be closed by the chartering agency, i.e. many depositors withdraw cash almost simultaneously. Since the cash reserve a bank keeps on hand is only a small fraction of its

deposits, a large number of withdrawals in a short period of time can deplete available cash and force the bank to close and possibly go out of business.

Bank trust department Bank department that deals with estates, administers trusts, and provides services such as estate planning advice to its clients.

Bank wire A computer message system linking major banks. It is used not for effecting payments, but as a mechanism to advise the receiving bank of some action that has occurred, e.g., the payment by a customer of funds into that bank's account.

Bank-based corporate governance system Organization of a supervisory board so that it is dominated by bankers and corporate insiders.

Banker's acceptance A short-term credit investment created by a nonfinancial firm and guaranteed by a bank as to payment. Acceptances are traded at discounts to face value in the secondary market. These instruments have been a popular investment for money market funds. They are commonly used in international transactions.

Banking Delay Time required for processing and clearing a check through the banking system.

Bankmail An agreement between a company engaged in a takeover bid and a bank that the bank will not finance the bid of another acquirer.

Bankruptcy Inability to pay debts. In bankruptcy of a publicly owned entity, the ownership of the firm's assets is transferred from the stockholders to the bondholders.

Bankruptcy code Laws governing bankruptcy proceedings for corporations, municipalities, and individuals. Enacted through the U.S. Federal Bankruptcy Reform Act of 1978.

Bankruptcy cost view The argument that expected indirect and direct bankruptcy costs offset the other benefits from leverage so that the optimal amount of leverage is less than 100% debt financing.

Bankruptcy proceedings Legal proceedings covered by Bankruptcy Code. The proceedings could result in liquidation or reorganization of the firm.

Bankruptcy risk The risk that a firm will be unable to meet its debt obligations. Also referred to as default or insolvency risk.

Bankruptcy view The argument that expected bankruptcy costs preclude firms from financing entirely with debt.

Bar Slang for one million dollars. Bar Slang for one million dollars.

Bar Slang for one million dollars. Bar Slang for one million dollars.

Barbell strategy A fixed income strategy in which the maturities of the securities included in the portfolio are concentrated at two extremes. For example, a portfolio manager invests in short and long duration bonds but not in the intermediate duration bonds.

Barefoot Investor A popular Australian radio program focused on teaching young people financial literacy.

Barefoot pilgrim A slang term for an unsophisticated investor who has lost everything on the stock market. Not to be confused with Barefoot Investor.

Bargain hunter In the context of general equities, purchaser who is extremely selective in the price sought on a transaction.

Bargain-purchase-price option Gives the lessee the option to purchase the asset at a price below fair market value when the lease expires.

Barometer Economic and market data that represent an overall trend. The Dow Jones Industrial Average is an example of a stock market barometer.

BARRA's performance analysis (PERFAN) A method developed by BARRA, a consulting firm in Berkeley, Calif. It is commonly used by institutional investors applying performance attribution analysis to evaluate their money managers' performance.

Barrier options Option contracts that remain dormant until a trigger point (the barrier price) is reached, at which point the call or put option is activated, and results either in a long or short options position, or in the automatic exercise of an options position. One example is an up-and-in call. Assume an exercise price of \$50 and a barrier price of \$53. If the stock stays below \$53, the call option cannot be exercised. If the stock price reaches the \$53 barrier price, the holder then has a call option on the shares at \$50. These are exotic options.

Barron's confidence index Index measuring the ratio of the average yield on 10 top-grade bonds to the average yield on 10 intermediate-grade bonds. The discrepancy between high-rated top-grade bonds and low-rated bond yields establishes a measure that is indicative of investor confidence.

Barter The trading/exchange of goods or services without using currency.

Base A technical analysis tool. A chart pattern depicting the period when the supply and demand of a certain stock are in relative equilibrium, resulting in a narrow trading range. The merging of the support level and resistance level.

Base currency Applies mainly to international equities. Currency in which gains or losses from operating an international portfolio are measured.

Base interest rate Related: Benchmark interest rate.

Base market value The average market price of a group of securities at a specific time. Used for the purpose of indexing.

Base period A particular period of time used for comparative purposes when measuring economic data.

Base probability of loss The probability of not achieving a portfolio expected return. Related: Value at risk.

Base rate British equivalent of the US prime rate.

Basel I Agreement concluded among country representatives in 1988 in Basel, Switzerland to develop standardized risk-based capital requirements for banks across countries. The Accord is also known as 1988 Basel Accord and it primarily focused on credit risk and is now viewed as outdated. Basel II is currently in the process of implementation and Basel III is currently under development.

Basel II An update of Basel I, Basel II was published in June 2004. The revised accord aimed to improve the consistency of capital regulations internationally, make regulatory capital more risk sensitive, and promote enhanced risk-management practices among large, internationally active banking organizations. Generally speaking, with Basel II, the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold. However, critics of Basel II say that the revised accord failed to regulate certain risk transfers, such as securitization or transfer of risk to unregulated parts of holding companies.

Basel III Describes the third version of the Basel Accords agreed upon by 27 countries on September 12, 2010. Among the highlights was the increasing of Tier 1 capital from 2% to 4.5% and the addition of a buffer of 2.5%. The assets that qualify for capital were also redefined. The full implementation of the accord is not due until 2023.

Basic balance In a balance of payments, the basic balance is the net balance of the combination of the current account and the capital account.

Basic business strategies Key strategies a firm intends to pursue in carrying out its business plan.

Basic IRR rule Accept the project if IRR is higher than the discount rate; reject the project if it is lower than the discount rate. It is wise to also consider net present value for project evaluation.

Basis The price an investor pays for a security plus any out-of-pocket expenses. It is used to determine capital gains or losses for tax purposes when the stock

is sold. Also, for a futures contract, the difference between the cash price and the futures price observed in the market.

Basis point In the bond market, the smallest measure used for quoting yields is a basis point. Each percentage point of yield in bonds equals 100 basis points. Basis points also are used for interest rates. An interest rate of 5% is 50 basis points higher than an interest rate of 4.5%. Sometimes referred to as BPS, BIPS, and pronounced “Bips”

Basis price Price expressed in terms of yield to maturity or annual rate of return.

Basis risk Unexpected changes in the basis between the placing and the lifting of a hedge. Basis risk is in excess of convergence.

Basis trade A trade that takes a view on the difference between two financial instruments. For futures contract, the difference between the cash and the futures price of an instrument.

Basket Applies to derivative products. Group of stocks that is formed with the intention of either being bought or sold all at once, usually to perform index arbitrage or a hedging program.

Basket credit default swap A credit derivative contract that provides a payoff when any of the multiple reference entities default. The contract specifies the number of defaults after which the payoff is generated, based on which the instrument is classified as first-to-default CDS, second-to-default CDS or more generally nth-to-default CDS.

Basket options Packages that involve the exchange of more than two currencies against a base currency at expiration. The basket option buyer purchases the right, but not the obligation, to receive designated currencies in exchange for a base currency, either at the prevailing foreign exchange market rate or at a prearranged rate of exchange. Multinational corporations with multicurrency cash flows frequently use basket options because it is generally cheaper to buy an option on a basket of currencies than to buy individual options on each of the currencies that make up the basket.

Basket trades Related: Program trades.

Baskets of Listed Depositary Receipts Nasdaq's fund family made of four funds that will track indexes composed of American Depositary Receipts (ADRs) of foreign companies.

Bayesian inference An alternative method of reasoning whereby the observer has a prior belief about a hypothesis and that belief is updated after observing the data.

BB The two-character ISO 3166 country code for BARBADOS.

BBD The ISO 4217 currency code for Barbadian Dollar.

BD The two-character ISO 3166 country code for BANGLADESH.

BD form An SEC document required of brokerage houses that outlines the firm's finances and officers.

BDI (1) SEE: Baltic Dry Index BDT The ISO 4217 currency code for Bangladeshi Taka currency.

BDI (2) The three-character ISO 3166 country code for BURUNDI.

BDS Statistic A statistic based upon the correlation integral which examines the probability that a purely random system could have the same scaling properties as the system under study. See: Correlation Integral.

BDI (1) SEE: Baltic Dry Index BDT The ISO 4217 currency code for Bangladeshi Taka currency.

BE The two-character ISO 3166 country code for BELGIUM.

BEACON See: Boston Exchange Automated Communication Order-Routing Network

Bear An investor who believes a stock or the overall market will decline. A bear market is a prolonged period of falling stock prices, usually by 20% or more. Related: bull.

Bear CD A bear CD pays the holder a fraction of any fall in a given market index.

Bear hug Often used in risk arbitrage. Hostile takeover attempt in which the acquirer offers an exceptionally large premium over the market value of the acquiree's shares so as to squeeze (hug) the target into acceptance.

Bear market Any market in which prices exhibit a declining trend. For a prolonged period, usually falling by 20% or more.

Bear raid In the context of general equities, attempt by investors to move the price of a stock opportunistically by selling large numbers of shares short. The investors pocket the difference between the initial price and the new, lower price after this maneuver. This technique is illegal under SEC rules, which stipulate that every short sale must be on an uptick.

Bear rally A temporary surge in stock markets while the primary market trend is bearish.

Bear spread Applies to derivative products. Strategy in the options or futures markets designed to take advantage of a fall in the price of a security or commodity. A bear spread with call options is created by buying a call option with a certain strike price and selling a call option on the same stock with a lower strike price (with the same expiration date). A bear spread with put options is where an investor buys a put with a high strike price and sells a put with a low strike price. With futures, the investor sells the nearby contract and purchases the next out contract. All of these strategies are designed to profit from a fall in the underlying asset's price.

Bear trap The predicament facing short sellers when a bear market reverses its trend and becomes bullish. The assets continue to sell in anticipation of further declines in price, and short sellers then are forced to cover at higher prices.

Bearer bond Bonds that are not registered on the books of the issuer. Such bonds are held in physical form by the owner, who receives interest payments by physically detaching coupons from the bond certificate and delivering them to the paying agent.

Bearer form Describes issue form of security not registered on the issuing corporation's books, and therefore payable to its bearer. See also: Bearer bond; coupon bond.

Bearer share Security not registered on the books of the issuing corporation and thus payable to possessor of the shares. Negotiable without endorsement and transferred by delivery, thus avoiding some of the control associated with ordinary shares. Dividends are payable upon presentation of dividend coupons, which are dated or numbered. Applies mainly to international equities.

Bearish Words used to describe investor attitude. A bearish investor believes that a particular asset or the market as a whole will decline in value.

BEARS See: Bonds Enabling Annual Retirement Savings (BEARS)

Beating the gun In the context of general equities, gaining an advantageous price in a trade through a quick response to market developments.

BEF The ISO 4217 currency code for Belgian Franc.

Before-tax contributions The portion of an employee's salary contributed to a retirement plan before federal income taxes are deducted; this reduces the individual's gross income for federal tax purposes.

Before-tax profit margin The ratio of net income before taxes to net sales.

Beggar-thy-neighbor An international trade policy of competitive devaluations and increased protective barriers that one country institutes to gain at the expense of its trading partners.

Beggar-thy-neighbor devaluation A devaluation that is designed to cheapen a nation's currency and thereby increase its exports at the expense of other countries. Devaluation can also reduce a nation's imports. Such devaluations often lead to trade wars.

Behavioral finance An important subfield of finance. Behavioral finances uses insights from the field of psychology and applies them to the actions of individuals in trading and other financial applications.

Behind Used for listed equity securities. At the same price but entered after your order/interest, such as on the specialist's book. Antithesis of ahead of you.

Beige book Official name for the Beige book is Summary of Commentary on Current Economic Conditions. It is a report published by the Fed before FOMC meeting (eight times a year) and is used to inform the members on changes in the economy.

BEL The three-character ISO 3166 country code for BELGIUM.

Bell Signal on a stock exchange to indicate the open and close of trading.

Bellwether issues Related: Benchmark issues.

Below par Less than the nominal or face value of a security.

BEN The three-character ISO 3166 country code for BENIN.

Benchmark The performance of a predetermined set of securities, used for comparison purposes. Such sets may be based on published indexes or may be customized to suit an investment strategy.

Benchmark error Use of an inappropriate proxy for the true market portfolio.

Benchmark interest rate Also called base interest rate, it is the minimum interest rate investors will demand for investing in a non-Treasury security. It is also tied to the yield to maturity offered on the comparable-maturity treasury security that was most recently issued (on-the-run).

Benchmark issue Also called on-the-run or current-coupon issue or bellwether issue. In the secondary market, the benchmark issue is the most recently auctioned Treasury issues for each maturity.

Beneath Used for listed equity securities. 1) Behind; 2) Lower in price.

Beneficial Owner As used for most purposes under the federal securities laws. A beneficial owner of stock is any person or entity with sole or shared power to vote or dispose of the stock. This SEC definition is intended to include a holder who enjoys the benefits of ownership although the shares may be held in another name.

Beneficial ownership Often used in risk arbitrage. Person who enjoys the benefits of ownership even though title is in another name. (Abused through the illegal use of a parking violation.)

Beneficiary Term used to refer to the person who receives the benefits of a trust or the recipient of the proceeds of a life insurance policy.

Bequest Property left to an heir under the terms of a will.

Bermudan option An option that can be exercised at a set number of times (unlike European options, which can be exercised only at the expiration date and American options, which can be exercised any time).

Best efforts A high standard of undertaking, but nevertheless excusable in the event of a force majeure.

Best's rating A rating A.M. Best Co. assigns to insurance companies based on the company's ability to meet its obligations to its policyholders.

Best-efforts sale A method of securities distribution/underwriting in which the securities firm agrees to sell as much of the offering as possible and return any unsold shares to the issuer. As opposed to a guaranteed or fixed-price sale or bought deal, in which the underwriter agrees to sell a specific number of shares (and holds any unsold shares in its own account if necessary).

Best-interests-of-creditors test The requirement that a claim holder voting against a plan of reorganization must receive at least as much as if the debtor were liquidated.

Beta The measure of an asset's risk in relation to the market (for example, the S&P500) or to an alternative benchmark or factors. Roughly speaking, a security with a beta of 1.5, will have move, on average, 1.5 times the market return. [More precisely, that stock's excess return (over and above a short-term money market rate) is expected to move 1.5 times the market excess return]. According to asset pricing theory, beta represents the type of risk, systematic risk, that cannot be diversified away. When using beta, there are a number of issues that you need to be aware of: (1) betas may change through time; (2) betas may be different depending on the direction of the market (i.e. betas may be greater for down moves in the market rather than up moves); (3) the estimated beta will be biased if the security does not frequently trade; (4) the beta is not necessarily a complete measure of risk (you may need multiple betas). Also, note that the beta is a measure of co-movement, not volatility. It is possible for a security to have a zero beta and higher volatility than the market.

Beta equation (security) The market beta of a security is determined as follows: Regress excess returns of stock y on excess returns of the market. The slope coefficient is beta. Define n as number of observation numbers.
$$\text{Beta} = \frac{[(n) (\text{sum of } [xy]) - (\text{sum of } x) (\text{sum of } y)]}{[(n) (\text{sum of } [xx]) - (\text{sum of } x) (\text{sum of } x)]}$$
 where: n = # of observations (usually 36 to 60 months) x = rate of return for the S&P 500 index y = rate of return for the security. Related: Alpha

BF The two-character ISO 3166 country code for BURKINA FASO.

BFA The three-character ISO 3166 country code for BURKINA FASO.

BG The two-character ISO 3166 country code for BULGARIA.

BGD The three-character ISO 3166 country code for BANGLADESH.

BGL The pre-July 1999 ISO 4217 currency code for Bulgarian Lev.

BGN The current ISO 4217 currency code for Bulgarian Lev.

BGR The three-character ISO 3166 country code for BULGARIA.

BH The two-character ISO 3166 country code for BAHRAIN.

BHC See: Bank Holding Company.

BHD The ISO 4217 currency code for Bahrainian Dinar.

BHR The three-character ISO 3166 country code for BAHRAIN.

BHS The three-character ISO 3166 country code for BAHAMAS.

BI The two-character ISO 3166 country code for BURUNDI.

Bi-weekly mortgage loan A mortgage loan on which interest and principal payments are made every half-month (total of 26 payments) as opposed to monthly payments. This results in earlier loan retirement.

Biased expectations theories Related: Pure expectations theory.

BIC See: Bank Investment Contract

Bid The price a potential buyer is willing to pay for a security. Sometimes also used in the context of takeovers where one corporation is bidding for (trying to buy) another corporation. In trading, we have the bid-ask spread which is the difference between what buyers are willing to pay and what sellers are asking for in terms of price.

Bid away Refers to over-the-counter trading. Bid from another dealer exists at the same (listed) or higher (OTC) price.

Bid bond A bid “performance” bond consisting of a small percentage (1-3%) of the tender contract price, refunded to losers once the contract is awarded.

Bid price This is the quoted bid, or the highest price an investor is willing to pay to buy a security. Practically speaking, this is the available price at which an investor can sell shares of stock. Related: Ask, offer.

Bid wanted Used in the context of general equities. Announcement that a holder of securities wants to sell and will entertain bids.

Bid-asked spread The difference between the bid and the asked prices.

Bid-to-cover ratio The ratio of the number of bids received in a Treasury security auction compared to the number of accepted bids.

Bidder A firm or person that wants to buy a firm or security.

Bidding buyer In the context of general equities, a nonaggressive buyer who prefers to await a natural seller in the hope of paying a lower price.

Bidding through the market In the context of general equities, aggressive willingness to purchase a security at a premium to the inside market. Contrasts with bidding buyer.

Bidding up Moving the bid price higher.

BIF (1) See: Bank Insurance Fund

BIF (2) The ISO 4217 currency code for Burundian Franc.

Bifurcation When a non-linear dynamic system develops twice the possible solutions that it had before it passed its critical level. A bifurcation cascade is often called the period doubling route to chaos because the transition from an orderly system to a chaotic system often occurs when the number of possible solutions begins increasing, doubling each time.

Bifurcation Diagram A graph that shows the critical points where bifurcation occurs, and the possible solutions that exist at that point.

Big Bang The term applied to the liberalization in 1986 of the London Stock Exchange (LSE) when trading was automated.

Big Board A nickname for the New York Stock Exchange (NYSE). Also known as The Exchange. More than 2,000 common and preferred stocks are traded. Founded in 1792, the NYSE is the oldest exchange in the United States, and the largest. It is located on Wall Street in New York City.

Big Mac Index The Big Mac Index is published by the Economist as an informal way of measuring the Purchasing Power Parity between currencies by comparing the price of a Big Mac in one country (in its currency) with the price of a Big Mac in another country (in its currency). The index was first introduced in September 1986 and has been published annually by the Economist since then.

Big picture To highlight trading interest due to the size of the trade.

Big producer A successful broker who generates a large volume of commission. See Rainmaker.

Big uglies Unpopular stocks.

BIH The three-character ISO 3166 country code for BOSNIA AND HERZEGOVINA.

Bilateral Netting Bilateral netting - the consolidation of all swap agreements between two counterparties into one master agreement. The result is that if one counterparty bankrupts, that counterparty cannot seek to collect on any swaps that are in-the-money to them while at the same time refusing to pay

out on any that are out-of-the-money. Instead, the master agreement sets out that in this event all swaps between the two counterparties will be netted; only then will the bankrupt company receive money, and then only if they are net in-the-money.

Bill of exchange General term for a document demanding payment.

Bill of lading A contract between an exporter and a transportation company in which the latter agrees to transport the goods under specified conditions that limit its liability. It is the exporter's receipt for the goods as well as proof that goods have been or will be received.

Billing cycle The time elapsed between billing periods for goods sold or services rendered.

BIMBO See: Buyin management buyout

Binary credit default swap Similar to a credit default swap except that there is a fixed dollar payoff in the event of default.

Binary option An option where the payoff is a fixed amount of an asset or nothing at all.

Binder An amount of money paid to indicate good faith in a transaction before the transaction is completed.

Binomial option pricing model An option pricing model in which the underlying asset can assume one of only two possible, discrete values in the next time period for each value that it can take on in the preceding time period.

Bip A basis point or 1/100th of one percent. Sometimes called bips or bps.

BIPS See: Basis point.

BIS See: Bank for International Settlements

Bitcoin A cryptocurrency first proposed by Satoshi Nakamoto in 2008. Bitcoin uses a specific technology called blockchain which prevents the double spending of any bitcoin and allows for unprecedented security. There are currently thousands of cryptocurrencies and tokens based on blockchain technology.

BJ The two-character ISO 3166 country code for BENIN.

BL The two-character ISO 3166 country code for SAINT BARTHELEMY.

Black Friday A precipitous drop in a financial market . The original Black Friday occurred on September 24, 1869, when prospectors attempted to corner the gold market.

Black Litterman Model An asset allocation model that allows portfolio managers to incorporate views into CAPM equilibrium returns and generate portfolios that are more diversified than those produced with plain mean-variance optimization.

Black market An illegal market.

Black Monday Refers to October 19, 1987, when the Dow Jones Industrial Average fell 508 points on the heels of sharp drops the previous week. On Monday, October 27, 1997, the Dow dropped 554 points. While the point drop set a new record, the percentage decline was substantially less than in 1987.

Black-Scholes option-pricing model A model for pricing call options based on arbitrage arguments. Uses the stock price, the exercise price, the risk-free interest rate, the time to expiration, and the expected standard deviation of the stock return. Developed by Fischer Black and Myron Scholes in 1973.

Blackout period A period of time before the earnings release of a public company during which its directors and specific employees deemed insiders cannot trade the company's stock.

Blank check A check that is duly signed, but the amount of the check is left blank to be supplied by the drawee.

Blank check offering An initial public offering by a company whose business activities are undefined and therefore speculative.

Blank Check Preferred Stock This is stock over which the board of directors has broad authority to determine voting, dividend, conversion, and other rights. While it can be used to enable a company to meet changing financial needs, its most important use is to implement poison pills or to prevent takeovers by placement of this stock with friendly investors.

Blanket certification form See: NASD form FR-1

Blanket fidelity bond SEC-required insurance coverage that brokerage firms are required to have in order to cover fraudulent trading by employees.

Blanket inventory lien A secured loan that gives the lender a lien against all the borrower's inventories.

Blanket Mortgage A mortgage that covers at least two pieces of real estate as collateral for the same mortgage.

Blanket recommendation A recommendation by a brokerage firm sent to all its customers advising that they buy or sell a particular stock regardless of investment objectives or portfolio size.

BLDRS See: Baskets of Listed Depositary Receipts

Blind pool A limited partnership that does not announce its intentions as to what properties will be acquired.

Blind trust A trust in which a fiduciary third party has total discretion to make investments on behalf of a beneficiary while the beneficiary is uninformed about the holdings of the trust.

Blitzkrieg tender offer In the context of a takeover, refers to a tender offer that is priced so attractively that the tender is completed quickly.

BLM The three-character ISO 3166 country code for SAINT BARTHELEMY.

Block Large quantity of stock or large dollar amount of bonds held or traded. As a rule of thumb, 10,000 shares or more of stock and \$200,000 or more worth of bonds would be described as a block.

Block call In the context of general equities, conference meeting during which customer indications and orders, along with the traders' own buy/sell preferences, are conveyed to the entire organization. See block list.

Block house Brokerage firms that help to find potential buyers or sellers of large block trades.

Block list In the context of general equities, listing of stock the investment bank is looking for (wants to buy) or (wants to sell) at the beginning of the day, whether on an agency or principal basis.

Block trade A large trading order, defined on the New York Stock Exchange as an order that consists of 10,000 shares of a given stock or at a total market value of \$200,000 or more.

Block trader A dealer who will take a position in the block trades to accommodate customer buyers and sellers of blocks. See: Dealer, market maker, principal.

Block voting Describes a group of shareholders banding together to vote their shares in a single block.

Blockchain Think of blockchain as a database or a spreadsheet. But a really special spreadsheet. There's no centralized master copy. Instead, it's shared on many computers. It's special because you can only add to it. There's no editing of history. The database is divided into chronological sub-sheets. These

are the blocks. The last line of any block summarizes all of the data in the block, and — and this is pretty important — appears as the first line of the next block. If anyone tries to edit a block, the last line will change and will not match the first line of the next block. The network sees this corrupted block and immediately replaces it. This ingenious trick makes it futile to rewrite history and guarantees an unprecedented degree of security. Blockchain was invented by Haber and Stornetta in 1991 but made famous in the Satoshi Nakamoto's bitcoin paper.

Blocked currency A currency that is not freely convertible to other currencies due to exchange controls.

Blocked funds Cash flows generated by a foreign project that cannot be immediately repatriated to the parent firm because of capital flow restrictions imposed by the host government.

Blocker Corporation A blocker corporation is a type of C Corporaton. Tax exempt investors and foreign investors often set up offshore feeder corporation known as a blocker corporation when they invest in private equity or hedge funds in order to avoid US trade or business income tax.

Blow-off top A steep and rapid increase in price followed by a steep and rapid drop. This is an indicator seen in charts and used in technical analysis of stock price and market trends.

Blowout The rapid sale of all shares in a new securities offering. See: hot issue.

BLR The three-character ISO 3166 country code for BELARUS.

Blue chip stocks Common stock of well-known companies with a history of growth and dividend payments.

Blue list Daily financial publication featuring bonds offered for sale by dealers and banks that represent billions of dollars in par value. Also available on-line at www.bluelist.com.

Blue-chip company Used in the context of general equities. Large and credit-worthy company. Company renowned for the quality and wide acceptance of its products or services, and for its ability to make money and pay dividends. Gilt-edged security.

Blue-sky laws State laws covering the issue and trading of securities.

BLZ The three-character ISO 3166 country code for BELIZE.

BM The two-character ISO 3166 country code for BERMUDA.

BMD The ISO 4217 currency code for Bermudan Dollar.

BMU The three-character ISO 3166 country code for BERMUDA.

BN The two-character ISO 3166 country code for BRUNEI DARUSSALAM.

BND The ISO 4217 currency code for Brunei Darussalam Dollar.

BO The two-character ISO 3166 country code for BOLIVIA.

Bo Derek stock High quality stock.

Board broker Employee of the Chicago Board Options Exchange who manages away from the market orders, which cannot be executed immediately.

Board of Directors Individuals elected by the shareholders of a corporation who carry out certain tasks established in the charter.

Board of Governors of the Federal Reserve System The managing body of the Federal Reserve System, which sets policies on bank practices and the money supply.

Board room A room at a brokerage firm where its clients can watch an electronic board displaying stock prices and transactions. Also refers to the room where Board of Directors meetings take place.

BOB The ISO 4217 currency code for Bolivian Boliviano.

Bogey The return an investment manager is compared to for performance evaluation.

Boiler room Used to describe place or operation in which unscrupulous salespeople call and try to sell people speculative, even fraudulent securities.

Boilerplate Standard terms and conditions.

BOL The three-character ISO 3166 country code for BOLIVIA.

Bollinger Bands Plus or minus two standard deviations where the standard deviations are calculated historically in a moving window estimation. Hence, the bands will widen if the most recent data is more volatile. If the prices break out of the band, this is considered a significant move.

Bolsa Spanish for stock exchange.

Bolsa de Comercio de Santiago (SSE) Chile's preeminent stock exchange.

Bolsa de Valores de Rio de Janeiro (BVRJ) Brazil's second-largest stock exchange.

Bolsa de Valores de Sao Paulo (BOVESPA) The largest stock exchange in Brazil.

Bolsa Familia Program Direct translation is "Family Allowance", Bolsa Familia Program is a part of Brazilian governmental welfare program Fome Zero (Zero Hunger) launched by President Luiz Inácio Lula da Silva (Brazilian President 2003-2011). Bolsa Familia provides financial aid to low-income Brazilian families

under the condition that their children attend school and are vaccinated. It is currently the largest conditional cash transfer program in the world.

Bolt Used for listed equity securities. Block trading version of COLT.

Bolt-on acquisition Bolt-on acquisition is a term in private equity. It is used when a PE backed company (Company A) acquires another company (Company B) as a “bolt-on” to enhance the value of Company A.

Bombay Stock Exchange (BSE) Largest stock exchange of India. See also: National Stock Exchange; Mumbai stock exchange.

Bon voyage bonus See: Greenmail.

Bond Bonds are debt and are issued for a period of more than one year. The US government, local governments, water districts, companies and many other types of institutions sell bonds. When an investor buys bonds, he or she is lending money. The seller of the bond agrees to repay the principal amount of the loan at a specified time. Interest-bearing bonds pay interest periodically.

Bond agreement A contract for privately placed debt.

Bond anticipation note (BAN) A short-term debt instrument issued by a state or municipality to borrow against the proceeds of an upcoming bond issue.

Bond broker A broker on the floor of an exchange or in the over-the-counter market (OTC) who trades bonds.

Bond Buyer A daily publication featuring many essential statistics and index figures relevant to the fixed income markets.

Bond Buyer's municipal bond index A municipal bond price tracking index published daily by the Bond Buyer.

Bond counsel An attorney who prepares the legal opinion concerning a municipal bond issue.

Bond covenant A contractual provision in a bond indenture. A positive covenant requires certain actions, and a negative covenant limits certain actions.

Bond crowd Members of the stock exchange who transact bond orders on the floor of the exchange.

Bond discount The difference by which a bond's market price is lower than its face value. The antithesis of a bond premium, which prevails when the market price of a bond is higher than its face value. See: Original issue discount.

Bond equivalent yield Bond yield calculated on an annual percentage rate method. Differs from annual effective yield.

Bond fund A mutual fund that emphasizes income consistent with risk, rather than growth by investing in corporate, municipal, or US government debt obligations, or some combination of them.

Bond indenture Contract that sets forth the promises of a bond issuer and the rights of investors.

Bond indexing Designing a bond portfolio so that its performance will match the performance of some bond index.

Bond market association An international trade association of broker/dealers and banks in US government and federal agency securities, municipal securities, mortgage-backed securities, and money market securities.

Bond mutual fund A mutual fund which primarily or exclusively holds bonds.

Bond of Indemnity An insurance policy that indemnifies the corporation, the shareholder and the Transfer Agent against any and all claims arising from the replacement by the Transfer Agent of certificates lost or stolen.

Bond option An option to buy or sell a bond by a particular date at a fixed price.

Bond points A conventional unit of measure for bond prices set at \$1 and equivalent to 1% of the \$100 face value of the bond. A price of 80 means that the bond is selling at 80% of its face or par value.

Bond power A form used in the transfer of registered bonds from one owner to a different owner.

Bond premium See: Bond discount

Bond rating A rating based on the possibility of default by a bond issuer. The ratings range from AAA (highly unlikely to default) to D (in default). See: Rating, investment grade.

Bond ratio The percentage of a company's capitalization represented by bonds. The ratio is calculated by dividing the total bonds due after one year by that same figure plus all other equity. See: Debt-to-equity-ratio.

Bond swap The sale of one bond issue and purchase of another bond issue simultaneously. See: Swap; swap order.

Bond value With respect to convertible bonds, the value the security would have if it were not convertible. That is, the market value of the bond minus the value of the conversion option.

Bond-equivalent basis The method used for computing the bond-equivalent yield.

Bondholder A firm often has stockholders and bondholders. In a liquidation, the bondholders have first priority.

BONDPAR A system that monitors and evaluates the performance of a fixed income portfolio, as well as the individual securities held in the portfolio. BONDPAR decomposes the return into the elements beyond the manager's control—such as the interest rate environment and client-imposed duration policy constraints—and those that the management process contributes to, such as interest rate management, sector/quality allocations, and individual bond selection.

Bonds Enabling Annual Retirement Savings (BEARS) Holders of BEARS receive the face value of the bonds underlying call option, which is exercised by CUBS (an acronym for Calls Underwritten by Swanbrook). If the calls are exercised by CUBS, BEARS holders receive the total of the exercise price.

Boning Charging a lot more for an asset than its worth.

Book A banker or trader's positions.

Book cash A firm's cash balance as reported in its financial statements. Also called ledger cash.

Book profit The cumulative book income plus any gain or loss on disposition of assets.

Book runner The managing underwriter for a new issue. The book runner maintains the book of securities sold.

Book to bill The book-to-bill ratio is the ratio of orders taken (booked) to products shipped and bills sent (billed). The ratio measures whether the company has more orders than it can deliver (>1), equal amounts ($=1$), or less (investors/traders in the high-technology sector).

Book to market The ratio of book value to market value of equity. A high ratio is often interpreted as a value stock (the market is valuing equity relatively cheaply compared to book value). This is the same as a low price-to-book value ratio. Value managers often form portfolios of securities with high book to market values.

Book value A company's total assets minus intangible assets and liabilities, such as debt. A company's book value might be higher or lower than its market value.

Book value per share The ratio of stockholder equity to the average number of common shares. Book value per share should not be thought of as an indicator of economic worth, since it reflects accounting valuation (and not necessarily market valuation).

Book-Entry Registered ownership of stock without the issuance of a corresponding stock certificate, as is the case with dividend reinvestment and direct purchase plans, employee plans and Direct Registration System issuances. Periodic statements of ownership are issued instead of certificates.

Book-entry securities Securities which are not represented by paper certificates but are maintained in computerized records at the Fed in the names of member banks, which in turn keep computer records of the securities they own as well as those they are holding for customers. In the case of other securities where a book-entry has developed, certificates reside in a central clearinghouse or are held by another agent. These securities do not move from holder to holder.

Bootstrap Term used to describe the start-up of a company with very little capital.

Bootstrapping Creating a theoretical spot rate curve using one yield projection as the basis for the yield of the next maturity. Bootstrapping follows the work of Efron. It involves a Monte Carlo approach.

Borrow To obtain or receive money on loan with the promise or understanding that it will be repaid.

Borrowed reserves Funds borrowed from a Federal Reserve Bank by member banks to maintain the required reserve ratios.

Borrower fallout In the mortgage pipeline, the risk that prospective borrowers of loans committed to be closed will elect to withdraw from the contract.

Boston Exchange Automated Communication Order-Routing Network (BEACON) This system permits the automatic execution of trades based on the current stock prices on the consolidated markets at any of the US securities exchanges.

Boston Stock Exchange The third oldest stock exchange in the United States being founded in 1834. Now known as NASDAQ OMX BX, it was previously known as BSE. NASDAQ OMX acquired the BSE in 2007.

Bot 1) Shorthand for bought. Antithesis of SL, meaning sold. 2) Also refers to a web-based algorithm (short for robot) that picks off key information that might be useful for trading. Bot 1) Shorthand for bought. Antithesis of SL, meaning sold. 2) Also refers to a web-based algorithm (short for robot) that picks off key information that might be useful for trading.

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Bottom Refers to the base support level for market prices of any type. Also used in the context of securities to refer to the lowest market price of a security during a specific time-frame.

Bottom fisher An investor seeking stocks that have fallen to prices at or near their bottom, which he or she believes will trend up in the future.

Bottom-up equity management style A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

Bottomline growth Growth in net profit. Also see topline growth.

Bought deal Security issue in which one or two underwriters buy the entire issue. Also known as a guaranteed or fixed-price sale; opposite of a best-efforts sale.

Bounce A check returned by a bank because it is not payable, usually because of insufficient funds. Also used in the context of securities to refer to the rejection and ensuing reclamation of a security; a stock price's abrupt decline and recovery.

Bourse French for a stock market.

Boutique A small, specialized brokerage firm that offers limited services and products to a limited number of clients. Antithesis of financial supermarket.

Box The actual physical location at a brokerage house or bank where securities or other documents are stored for safekeeping. Alternatively, a quotation machine or battery march. Also known as 'the cage.'

Box spread This strategy refers to a type of option arbitrage in which both a bull spread and a bear spread are implemented for an almost-riskless position. One spread is implemented using put options and the other is implemented with calls. The spreads may both be debit spreads (call bull spread vs. put bear spread) or both credit spreads (call bear spread vs. put bull spread).

BPS See: Basis point.

BR The two-character ISO 3166 country code for BRAZIL.

BRA The three-character ISO 3166 country code for BRAZIL.

Bracket A term signifying the extent of an underwriter's commitment in a new issue, e.g., major bracket or minor bracket.

Bracket creep The gradual movement into higher tax brackets when incomes increase as a result of inflation.

Brady bonds Bonds issued by emerging countries under a debt reduction plan.

Branch An operation in a foreign country incorporated in the home country.

BRB The three-character ISO 3166 country code for BARBADOS.

Breadth The percentage of assets or stocks advancing relative to those unchanged or declining. Also the number of independent forecasts available per year. A stock picker forecasting returns to 100 stocks every quarter exhibits a breadth of 400, assuming each forecast is independent (based on separate information).

Breadth of the market In the context of general equities, percentage of stocks participating in a particular market move. Technical analysts say there was significant breadth if two-thirds of the stocks listed on an exchange move in the same direction during a trading session. See: A/D line.

Break A rapid and sharp price decline. Related: Crash.

Break even The reduction of a project's net cash flow to zero by altering an input variable such as price or costs.

Break price Used in the context of general equities. Change one's offering or bid prices to move to a more realistic, tight level where execution is more feasible. Often done to trim one's position, thus "breaking price" from where the trades occurred (if long, "break price" downward by a certain amount).

Break-even analysis An analysis of the level of sales at which a project would make zero profit.

Break-even lease payment The lease payment at which a party to a prospective lease is indifferent between entering and not entering into a lease arrangement.

Break-even payment rate The prepayment rate of an MBS coupon that will produce the same cash flow yield (CFY) as that of a predetermined benchmark MBS coupon. Used to identify for coupons higher than the benchmark coupon the prepayment rate that will produce the same cash flow yield (CFY) as that of the benchmark coupon; and for coupons lower than the benchmark coupon the lowest prepayment rate that will do so.

Break-even point Refers to the price at which a transaction produces neither a gain nor a loss. In the context of options, the term has the additional definitions: 1. Long calls and short uncovered calls: strike price plus premium. 2. Long puts and short uncovered puts: strike price minus premium. 3. Short covered call: purchase price of underlying stock minus premium. 4. Short put covered by short stock: short sale price of underlying stock plus premium.

Break-even tax rate The tax rate at which a party to a prospective transaction is indifferent between entering into and not entering into the transaction.

Break-even time Related: Premium payback period.

Breakeven rate The difference in yield between inflation-protected and nominal debt of the same maturity. If the breakeven rate is negative it suggests traders are betting the economy may face deflation in the near future.

Breaking the syndicate Terminating an agreement among underwriters, specifically the investment banking group assembled to underwrite the issue of a security.

Breakout A rise in a security's price above a resistance level (commonly its previous high price) or a drop below a level of support (commonly the former lowest price.) A breakout is taken to signify a continuing move in the same direction. Can be used by technical analysts as a buy or sell indicator.

Breakpoint For mutual funds, the point at which the amount invested reduces the sales charge is called the "breakpoint." Each mutual fund may have several breakpoints; the larger the investment, the greater the discount. Note that the actual reduction in the sales charge is known as the "breakpoint discount". Also, the term "breakpointing" is sometimes used to refer to the offering of breakpoint discounts. The practice of soliciting mutual fund purchases just below the breakpoint (to earn more commissions) is considered unethical and in violation of NASD rules. See: right of accumulation.

Breakpoint Sale For mutual funds, this refers to the practice of soliciting mutual fund purchases just below the breakpoint (to earn more commissions). The practice is considered unethical and in violation of NASD rules.

Breakup value See: Private market value.

Breeden, Douglas T. Inventor of one of the foundational asset pricing models in finance, the consumption based capital asset pricing model. Chairman of Smith Breeden Associates, and former Dean of the Fuqua School of Business.

Brent crude A type of oil sourced from the North Sea often used as a benchmark to price oil. The other well-known classifications are West Texas Intermediate (WTI), Dubai Crude, and OPEC Reference Basket.

Bretton Woods Agreement An agreement signed by the original United Nations members in 1944 that established the International Monetary Fund (IMF) and the post-World War II international monetary system of fixed exchange rates.

Bridge financing Interim financing of one sort or another used to solidify a position until more permanent financing is arranged.

Bridge loan A short-term loan that is used until a company secures permanent financing or removes an existing obligation. A bridge loan provides an immediate cash flow. In venture capital, a bridge is usually a short term note (6-12 months) that converts to preferred stock.

Bring it out In the context of general equities, “make stock available for sale to indicated buyers.”

British Bankers Association (BBA) An association of banks and financial institutions operating in the U.K. The BBA calculates and publishes LIBOR rates.

British clearers The large clearing banks that dominate deposit taking and short-term lending in the domestic sterling market.

BRL The ISO 4217 currency code for Brazilian Real.

BRN The three-character ISO 3166 country code for BRUNEI DARUSSALAM.

Broad Market Usually refers to indices such as the Wilshire 5000 that track the performance of 5,000 securities, rather than the more narrow measures such as the Dow Jones Industrial Average and the S&P 500.

Broad tape An expanded version of the ticker tape, which is displayed on a screen in the board room of a brokerage firm and shows constantly updated financial information and news.

Broad-Base Generally referring to an index, it indicates that the index is composed of a sufficient number of stocks or of stocks in a variety of industry groups. See also: Narrow-Based.

Broken up Used for listed equity securities. Prevented from executing a trade (committed to upstairs) due to exchange priority rules excluding one's order (e.g., higher bid/lower offer on floor, market order to satisfy).

Broker An individual who is paid a commission for executing customer orders. Either a floor broker who executes orders on the floor of the exchange, or an upstairs broker who handles retail customers and their orders. Also, person who acts as an intermediary between a buyer and seller, usually charging a commission. A "broker" who specializes in stocks, bonds, commodities, or options acts as an agent and must be registered with the exchange where the securities are traded. Antithesis of dealer.

Broker loan rate Related: Call money rate.

Broker-dealer Any person, other than a bank, engaged in the business of buying or selling securities on its own behalf or for others. See: Dealer.

Brokered CD A certificate of deposit issued by a bank or thrift institution bought by a brokerage firm in bulk for the purpose of reselling to brokerage customers. A broker CD features a higher interest rate, usually 1% higher, and are FDIC insured and do not usually have commissions.

Brokered market A market in which an intermediary offers search services to buyers and sellers.

Brokers' loans Money borrowed by brokers from banks for uses such as financing specialists's inventories of stock, financing the underwriting of new issues of corporate and municipal securities, and financing customer margin accounts.

Brought over the wall Compelling a research analyst of an investment bank to work in the underwriting department for a corporate client, therefore allowing for the transmission of insider information. Also called "Over the Chinese wall".

Bruise See: Spaceman

Brussels Stock Exchange (BSE) Stock exchange that handles the majority of securities transactions in Belgium.

BS The two-character ISO 3166 country code for BAHAMAS.

BSD The ISO 4217 currency code for Bahamas Dollar. BSE See: Boston Stock Exchange

BSD The ISO 4217 currency code for Bahamas Dollar. BSE See: Boston Stock Exchange

BT The two-character ISO 3166 country code for BHUTAN.

BTM See: Book to market value.

BTN (1) The ISO 4217 currency code for Bhutan Ngultrum.

BTN (2) The three-character ISO 3166 country code for BHUTAN.

Bubble theory A theory under which security prices sometimes move wildly above their true values, or the price falls sharply until the "bubble bursts". It is also possible for a bubble to deflate gradually.

Buck Slang for one million dollars.

Bucket shop An illegal brokerage firm that accepts customer orders but does not attain immediate executions. A bucket shop broker promises the customer a certain price, but waits until a price discrepancy is present and the trade is advantageous to the firm and then keeps the difference as profit. Alternatively, the broker may never fill the customer's order but keep the money.

Budapest Stock Exchange Established in 1864, the major securities market of Hungary.

Budget A detailed pro forma schedule of financial activity, such as an advertising budget, a sales budget, or a capital budget.

Budget authority Broad responsibility conferred by Congress that empower government agencies to spend federal funds. Congress can specify criteria for the spending of these funds. For example, it may stipulate that a given agency must spend within a specific year, number of years, or any time in the future. The basic forms of budget authority are; appropriations, authority to borrow, contract authority, and authority to obligate and expend offsetting receipts and collections. The period of time during which Congress makes funds available may be specified as one-year, multiple years or no year. The available amount may be classified as either definite or indefinite; a specific amount or an unspecified amount can be made available. Authority may also be classified as current or permanent. Permanent authority requires no current action by Congress.

Budget deficit The amount by which government spending exceeds government revenues.

Budget surplus The amount by which government revenues exceed government spending.

Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires) Argentina's major securities market.

Build a book In the context of general equities, develop customer orders to gather demand/supply in order to make a bid or an offer. Also refers to a commissioned salesperson amassing a 'book' of regular clients.

Build Own Transfer The transfer of a project back to the party granting the concession, either with or at no cost.

Build-Operate-Transfer (BOT) Approach One of the two main approaches in financing the large-scale infrastructure projects. Contrary to State-Build-Own-Operate (SBOO) Approach, BOT Approach awards a project to a project company that operates the project for twenty-five to thirty-five years before it is transferred back to the government. BOT Approach is similar to Public-Private-Partnership (PPP) Approach.

Builder buydown loan A mortgage loan on newly developed property that the builder subsidizes during the early years of the development. The builder uses cash to buydown the mortgage rate to a lower level than the prevailing market loan rate for some period of time. The typical buydown is 3% of the interest rate amount for the first year, 2% for the second year, and 1% for the third year (also referred to as a 3-2-1 buydown).

Builders' All Risk A standard construction insurance package.

Bulge A short-lived stock price increase. Synonymous with bubble.

Bulge bracket A tier of firms in an underwriting syndicate that have the highest participation level. See: Mezzanine bracket.

Bull An investor who thinks the market will rise. Related: Bear.

Bull CD A bull CD pays its holder a specified percentage of the increase in return on a specified market index while guaranteeing a minimum rate of return.

Bull market Any market in which prices are in an upward trend.

Bull spread A spread strategy used in options and futures trading that is designed to capitalize on expected price appreciation. A bull spread using call options is created by buying a call option on an asset with a certain strike price and selling a call option on the same asset with a higher strike price (same expiration date). A bull spread with put options is created by buying a put option with a low strike and selling a put option with a high strike price (same

expiration date). Less frequently, the bull spread is implemented by buying the nearby futures contract and selling the next out contract.

Bull-bear bond Bond whose principal repayment is linked to the price of another security. The bonds are issued in two tranches: In the first tranche repayment increases with the price of the other security, and in the second tranche repayment decreases with the price of the other security.

Bulldog bond Foreign bond issue made in London.

Bulldog market The foreign market in the United Kingdom.

Bullet A one-time repayment, often after little or no amortization of the loan. See: Balloon Payment.

Bullet contract A guaranteed investment contract purchased with a single (one-shot) premium. Related: Window contract.

Bullet loan A bank term loan that calls for no amortization.

Bullet strategy A fixed income strategy in which a portfolio is constructed so that the maturities of its securities are highly concentrated at one point on the yield curve.

Bullion coins Metal coins consisting of gold, silver, platinum, or palladium that are actively traded. Some examples include the American eagle and the Canadian maple leaf. Their price is directly connected to the underlying price of their metal.

Bullish Word used to describe an investor's attitude. Bullish refers to an optimistic outlook, while bearish means a pessimistic outlook.

Bump-up CD A certificate of deposit granting the owner the right to increase its yield one time for the remaining term of the CD. The power is exercised by the owner in the event of an interest rate hike.

Bunching Describes the act of traders combining round-lot orders for execution at the same time. Bunching can also be used to combine odd-lot orders to save the odd-lot differential for customers. Also used to refer to the pattern on the ticker tape when a series of trades for a security appear consecutively.

Bundesanstalt für Finanzdienst-leistungsaufsicht (BaFin) Germany's supervisory authority for the German financial markets. German financial regulator.

Bundling, unbundling Creation of securities either by combining primitive and derivative securities into one composite hybrid or by separating returns on an asset into classes.

Bureau of Labor Statistics (BLS) A research agency of the U.S. Department of Labor; it compiles statistics on hours of work, average hourly earnings, employment and unemployment, consumer prices and many other variables.

Burn rate Used in venture capital financing to refer to the rate at which a startup company expends capital to finance overhead costs prior to the generation of positive cash flow.

Burnout Depletion of a tax shelter's benefits. In the context of mortgage backed securities it refers to the percentage of the pool that has prepaid their mortgage.

Business combination See: Merger

Business Combination laws These laws impose a moratorium on certain kinds of transactions (e.g., asset sales, mergers) between a large shareholder and the firm for a period usually ranging between three and five years after the shareholder's stake passes a pre-specified (minority) threshold. These laws are in place in more than half the U.S. states.

Business cycle Repetitive cycles of economic expansion and contractions. The official peaks and troughs of the US cycle are determined by the National Bureau of Economic Research in Cambridge, MA.

Business day A day in which financial markets are open for trading.

Business failure A business that has terminated operations with a loss to creditors.

Business risk The risk that the cash flow of an issuer will be impaired because of adverse economic conditions, making it difficult for the issuer to meet its operating expenses.

Business segment reporting Reporting the results of the separate divisions or subsidiaries of a business.

Bust-up takeover A leveraged buyout in which the buyer sells off the assets of the target company to repay the debt that financed the takeover.

Busted convertible Related: Fixed income equivalent. Mainly applies to convertible securities. Convertible bond selling essentially as a straight bond. Assuming the issuer is “money good,” or will continue to meet credit obligations, such issues can be highly attractive since the price makes virtually no allowance for the bond’s call on the common stock, when most such issues usually carry premiums.

Butterfly In the context of equities, a firm with two divisions may split into two companies and issue original shareholders two shares (one in each of the new companies) for every old share they have.

Butterfly shift A nonparallel shift in the yield curve involving the height of the curve.

Butterfly spread Applies to derivative products. Complex option strategy that involves buying a call option with a relatively low strike price; buying a call option with a relatively high strike price; and selling two call options with an intermediate strike price. Essentially, this is a bear call spread stacked on top of a bull call spread. One can also do this with puts. The investor buys a put with a low strike, buys a put at high strike and sells two puts at intermediate strike price. The payoff diagram resembles the shape of a butterfly.

Buy To purchase an asset; taking a long position.

Buy hedge See: Long hedge

Buy in To cover, offset, or close out a short position. Related: Evening up, liquidation.

Buy limit order A conditional trading order that indicates a security may be purchased only at the designated price or lower. Related: Sell limit order.

Buy minus order In the context of general equities, rare market or limit order to buy a stated amount of a stock, provided that the price to be obtained is not higher than the last sale if the last sale is a minus or zero-minus tick, and is not higher than the last sale minus the minimum fractional change in the stock if the last sale is a plus or zero-plus tick. (If limit, then the buy cannot occur above the limit, regardless of tick.)

Buy on close Buying at the end of the trading session at a price within the closing range.

Buy on margin Borrowing to buy additional shares, using the shares themselves as collateral.

Buy on opening Buying at the beginning of a trading session at a price within the opening range.

Buy on the bad news Buying stock shortly after a price drop resulting from bad news from the company. Investors believe that the price has hit bottom and will trend upward. See: Bottom fisher.

Buy order An order to a broker to purchase a specific quantity of a security.

Buy stop order A buy order not to be executed until the market price rises to the stop price. Once the security has broken through that price, the order is then treated as a market order. Also known as a suspended market order. Often used to protect against loss on a short sale.

Buy the book An order typically from a large institutional investor to a broker to purchase all the shares available at the market from the specialist and other brokers and dealers at the current offer price. The book refers to the record a specialist kept before the advent of computers.

Buy them back Used for listed equity securities. "Cover my short position.

Buy write See also Covered Call.

Buy-and-hold strategy A passive investment strategy with no active buying and selling of assets from the time the portfolio is created until the end of the investment horizon. Opposite of active strategy.

Buy-and-write strategy An options strategy that calls for the purchase of assets and the writing of covered call options on them.

Buy-side analyst A financial analyst employed by a nonbrokerage firm, typically one of the larger money management firms that purchases securities on its own account.

Buyback The covering of a short position by purchasing a long contract, usually resulting from the short sale of a commodity. See: Short covering, stock buyback. Also used in the context of bonds. The purchase of corporate bonds by the issuing company at a discount in the open market. Also used in the context of corporate finance. When a firm elects to repurchase some of the shares trading in the market.

Buydown A lump sum payment made to the creditor by the borrower or by a third party to reduce the amount of some or all of the consumer's periodic payments to repay the indebtedness. In the context of project financing, refers to a one-time payment out of liquidated damages to reflect cash flow losses from sustained underperformance.

Buyer credit A financing provided to a buyer to pay for the supply of goods or services usually by an exporting country or by the supplier company.

Buyer's market Market in which the supply exceeds the demand, creating lower prices. Antithesis of seller's market.

Buyers/sellers on balance Used for listed equity securities. Indicates that at a given time (usually before the opening of a stock market or at expiration time), there are more buyers than sellers in the marketplace, usually with market orders. See: Imbalance of orders.

Buyin management buyout (BIMBO) A form of leveraged buyout in which the bidding team comprises members of the incumbent management team and externally hired managers, often alongside a third-party private equity investor.

Buying climax A rapid rise in the price of a stock resulting from heavy buying, which usually creates the market condition for a rapid fall in the price.

Buying power The amount of money available to buy securities, determined by adding the total cash held in brokerage accounts and the amount that could be spent if securities were margined to the limit.

Buying the index Purchasing the stocks in the S&P 500 in the same proportion as the index to achieve the same return.

Buyout Purchase of a controlling interest (or percent of shares) of a company's stock. A leveraged buy out is effected with borrowed money.

Buyout firm See Private Equity firm.

BV The two-character ISO 3166 country code for BOUVET ISLAND.

BVT The three-character ISO 3166 country code for BOUVET ISLAND.

BW The two-character ISO 3166 country code for BOTSWANA.

BWA The three-character ISO 3166 country code for BOTSWANA.

BWP The ISO 4217 currency code for Botswanan Pula.

BY The two-character ISO 3166 country code for BELARUS.

BYB The ISO 4217 currency code for Belarus Rouble.

Bylaw Amendment Limitations These provisions limit shareholders' ability to amend the governing documents of the corporation. This might take the form of a supermajority vote requirement for charter or bylaw amendments, total elimination of the ability of shareholders to amend the bylaws, or the ability of directors beyond the provisions of state law to amend the bylaws without shareholder approval.

Bylaws Rules and practices that govern management of an organization.

Bypass trust An irrevocable trust that is designed to pay trust income (and principal, if needed) to an individual's spouse for the duration of the spouse's lifetime. The bypass trust is not part of the beneficiary spouse's estate and is not subject to federal estate taxes upon his/her death.

BZ The two-character ISO 3166 country code for BELIZE.

BZD The ISO 4217 currency code for Belize Dollar.

"Can get \$xxx" Refers to over-the-counter trading. "I have a buyer who will pay \$xxx for the stock". Usually a standard markdown from \$xxx is applied to this price in bidding the seller for its stock. Antithesis of cost me.

"Cannot compete" In the context of general equities, cannot accommodate customers at that price level (i.e., compete with other market makers), often because there is no natural opposite side of the trade.

“Cannot complete” In the context of general equities, inability to finish an order on a principal or agency basis, given prevailing price instructions and/or market conditions.

“Clean your skirts” In the context of general equities, i.e. “make all your obligated calls” check with all prior obligations in a security. Often preceded by “subject to.”

“Confirm me out” Used for listed equity securities. “Go to the floor and check with the specialist or floor broker that my previously active order has been canceled and was not executed”. One does not have to honor any trade reported after being given a “firm out”.

“Cost me” Refers to over-the-counter trading. “The price I must pay to obtain the securities you wish to buy is [\$]”. Usually, a standard markup is then applied for resale to this buyer. Antithesis of can get.

“Customer picking prices” Customer is firm on price and has set the price at which to transact.

C A rating within speculative grade Moody’s Long-term Corporate Obligation Rating. Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest. Rating one notch higher is Ca. C A rating within speculative grade Moody’s Long-term Corporate Obligation Rating. Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest. Rating one notch higher is Ca.

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C Corporation A corporation that elects to be taxed as a corporation. The C corporation pays federal and state income taxes on earnings. When the earnings

are distributed to the shareholders as dividends, this income is subject to another round of taxation (shareholder's income). Essentially, the C corporations' earnings are taxed twice. In contrast, the S corporation's earnings are taxed only once.

C Corporations C corporations are taxed under the Federal income tax laws and most major companies are treated as C corporations for federal tax purposes. See: S Corporatons

Ca A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest. Rating one notch higher is Caa3. Rating one notch lower is C

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Caa1 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Caa1 are judged to be of poor standing and are subject to very high credit risk. Rating one notch higher is B3. Rating one notch lower is Caa2

Caa2 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Caa2 are judged to be of poor standing and are subject to very high credit risk. Rating one notch higher is Caa1. Rating one notch lower is Caa3

Caa3 A rating within speculative grade Moody's Long-term Corporate Obligation Rating. Obligations rated Caa3 are judged to be of poor standing and are subject to very high credit risk. Rating one notch higher is Caa2. Rating one notch lower is Ca

Cabinet crowd NYSE members who trade bonds with a low daily traded volume. See: Automated Bond System.

Cabinet security A stock or bond listed on a major exchange with low daily traded volume.

Cable Exchange rate between British pound sterling and the U.S. dollar.

CAC See: Collective Action Clause

CAC 40 index A broad-based index of common stocks composed of 40 of the 100 largest companies listed on the forward segment of the official list of the Paris Bourse.

CAD The ISO 4217 currency code for Canada Dollar.

CADS See Cash Available for Debt Service.

CAF The three-character ISO 3166 country code for CENTRAL AFRICAN REPUBLIC.

Cage A section of a brokerage firm used for receiving and disbursing funds.

CAGR See: Compound Annual Growth Rate

Calendar List of new issues scheduled to come to market shortly.

Calendar effect Describes the tendency of stocks to perform differently at different times. For example, a number of researchers have documented that historically, returns tend to be higher in January compared to other months (especially February). Others have documented returns patterns across days of the week and within the day. Some of these patterns are found in volume and volatility as well as returns.

Calendar spread Applies to derivative products. A strategy in which there is a simultaneous purchase and sale of options of the same class at the same strike prices, but with different expiration date.

Calendar Straddle or Combination See Calendar Spread.

Call An option that gives the holder the right to buy the underlying asset.

Call an option To exercise a call option.

Call date A date before maturity, specified at issuance, when the issuer of a bond may retire part of the bond for a specified call price.

Call feature Part of the indenture agreement between the bond issuer and buyer describing the schedule and price of redemptions prior to maturity.

Call loan A loan repayable on demand. Sometimes used as a synonym for broker loan or broker overnight loan.

Call loan rate See: Call money rate

Call money rate Also called the broker loan rate , the interest rate that banks charge brokers to finance margin loans to investors. The broker charges the investor the call money rate plus a service charge.

Call option An option contract that gives its holder the right (but not the obligation) to purchase a specified number of shares of the underlying stock at the given strike price, on or before the expiration date of the contract.

Call premium Premium in price above the par value of a bond or share of preferred stock that must be paid to holders to redeem the bond or share of preferred stock before its scheduled maturity date.

Call price The price, specified at issuance, at which the issuer of a bond may retire part of the bond at a specified call date.

Call protection A feature of some callable bonds that establishes an initial period when the bonds may not be called.

Call provision An embedded option granting a bond issuer the right to buy back all or part of an issue prior to maturity.

Call risk The combination of cash flow uncertainty and reinvestment risk introduced by a call provision.

Call swaption A swaption in which the buyer has the right to enter into a swap as a fixed-rate payer. The writer therefore becomes the fixed-rate receiver/floating-rate payer.

Callability Feature of a security that allows the issuer to redeem the security prior to maturity by calling it in, or forcing the holder to sell it back.

Callable Applies mainly to convertible securities. Redeemable by the issuer before the scheduled maturity under specific conditions and at a stated price, which usually begins at a premium to par and declines annually. Bonds are usually called when interest rates fall so significantly that the issuer can save money by issuing new bonds at lower rates.

Called away Convertible: Redeemed before maturity. Option: Call or put option exercised against the stockholder. Sale: Delivery required on a short sale.

CAMPS See: Cumulative Auction Market Preferred Stocks

CAN The three-character ISO 3166 country code for CANADA.

Canadian agencies Agency banks established by Canadian Banks in the U.S.

Canadian Dealing Network (CDN) The organized OTC market of Canada. Formerly known as the Canadian Over-the-Counter Automated Trading System (COATS), the CDN became a subsidiary of the Toronto Stock Exchange in 1991.

Cancel To void an order to buy or sell from (1) the floor, or (2) the trader/salesperson's scope. In Autex, the indication still remains on record as having once been placed unless it is expunged.

Canceled Certificates Before the issuance of a new certificate, the old certificate is presented to the Transfer Agent and is canceled.

Candlestick chart A popular method of charting price fluctuations that displays an asset's opening, closing, high, and low prices for the period. Points on a candlestick chart are represented as a box, called the real body, with a vertical line on both the top and bottom. White-bodied boxes represent upward movement in the price of the asset: the bottom of the body is the opening price and the top of the body is the closing price. Black-bodied boxes represent downward movement in the price of the asset: the bottom of the body is the closing price and the top of the body is the opening price. In both cases, the top vertical line shows the high price for the period, and the bottom vertical line shows the low price for the period. See: Real body.

Cap An upper limit on the interest rate on a floating-rate note (FRN) or an adjustable-rate mortgage (ARM). Also, an OTC derivatives contract consisting of a series of European interest rate call options; used to protect an issuer of floating-rate debt from interest rate increases. Each individual call option within the cap is called a caplet. Opposite of a floor.

Capacity Credit grantors' measurement of a person's ability to repay loans.

Capacity utilization rate The percentage of the economy's total plant and equipment that is currently in production. Usually, a decrease in this percentage signals an economic slowdown, while an increase signals economic expansion.

Capex See: Capital expenditures

Capital Money invested in a firm.

Capital account Net result of public and private international investment and lending activities.

Capital allocation decision Allocation of invested funds between risk-free assets and the risky portfolio.

Capital appreciation See: Capital growth

Capital appreciation fund See: Aggressive growth fund

Capital asset A long-term asset, such as land or a building, not purchased or sold in the normal course of business.

Capital asset pricing model (CAPM) An economic theory that describes the relationship between risk and expected return, and serves as a model for the pricing of risky securities. The CAPM asserts that the only risk that is priced by rational investors is systematic risk, because that risk cannot be eliminated by diversification. The CAPM says that the expected return of a security or a portfolio is equal to the rate on a risk-free security plus a risk premium multiplied by the asset's systematic risk. Theory was invented by William Sharpe (1964) and John Lintner (1965). The early work of Jack Treynor is was also instrumental in the development of this model.

Capital budget A firm's planned capital expenditures.

Capital budgeting The process of choosing the firm's long-term assets.

Capital Builder Account (CBA) A Merrill Lynch brokerage account that allows investors to access the loan value of his or her eligible securities to buy or sell securities. Excess cash in a CBA can be invested in a money market fund or an insured money market deposit account without losing access to the money.

Capital charge rate . The capital charge is the cost of capital times the amount of invested capital. This capital charge is a dollar amount. By capital charge rate is just the cost of capital. In other words, the capital charge rate is the rate or return required on invested capital.

Capital commitments In the context of private equity, capital commitment is a limited partner's obligation (promise) to provide certain amount of capital to a fund.

Capital expenditures Amount used during a particular period to acquire or improve long-term assets such as property, plant, or equipment.

Capital flight The transfer of capital abroad in response to fears of political risk.

Capital formation Expansion of capital or capital goods through savings, which leads to economic growth.

Capital gain When a stock is sold for a profit, the capital gain is the difference between the net sales price of the securities and their net cost, or original basis. If a stock is sold below cost, the difference is a capital loss.

Capital gains distribution A distribution to the shareholders of a mutual fund out of profits from selling stocks or bonds, that is subject to capital gains taxes for the shareholders.

Capital gains tax The tax levied on profits from the sale of capital assets. A long-term capital gain, which is achieved once an asset is held for at least 12 months, is taxed at a maximum rate of 20% (taxpayers in 28% tax bracket) and 10% (taxpayers in 15% tax bracket). Assets held for less than 12 months are taxed at regular income tax levels, and, since January 1, 2000, assets held for at least five years are taxed at 18% and 8%.

Capital gains yield The price change portion of a stock's return.

Capital goods Goods used by firms to produce other goods, e.g., office buildings, machinery, equipment.

Capital growth The increase in an asset's market price. Also called capital appreciation.

Capital infusion Often refers to the cross-subsidization of divisions within a firm. When one division is not doing well, it might benefit from an infusion of new funds from the more successful divisions. In the context of venture capital, it can also refer to funds received from a venture capitalist to either get the firm started or to save it from failing due to lack of cash.

Capital International Indexes Market indexes maintained by Morgan Stanley that track major stock markets worldwide.

Capital investment See: Capital expenditure.

Capital lease A lease obligation that has to be capitalized on the balance sheet.

Capital loss The difference between the net cost of a security and the sales price, if the security is sold at a loss. Also used in a more general context to refer to the market for stocks, bonds, derivatives and other investments.

Capital market Traditionally, this has referred to the market for trading long-term debt instruments (those that mature in more than one year). That is, the market where capital is raised. More recently, capital markets is used in a more general context to refer to the market for stocks, bonds, derivatives and other investments.

Capital market efficiency The degree to which the present asset price accurately reflects current information in the market place. See: Efficient market hypothesis.

Capital market imperfections view The view that issuing debt is generally valuable, but that the firm's optimal choice of capital structure involves various other views of capital structure (net corporate/personal tax, agency cost, bankruptcy cost, and pecking order), that result from considerations of asymmetric information, asymmetric taxes, and transaction costs.

Capital market line (CML) The line defined by every combination of the risk-free asset and the market portfolio. The line represents the risk premium you earn for taking on extra risk. Defined by the capital asset pricing model.

Capital market proceeds Companies often go to the capital market to raise money, usually for new investment projects. They might issue new equity, bonds, or rights. The proceeds refers to the amount raised in the capital market. The net proceeds are after all underwriting costs.

Capital Purchase Program A preferred stock and equity warrant purchase program created by US Treasury in October 2008 to stabilize the financial institutions of all sizes throughout U.S. CPP is a part of Troubled Assets Relief Program (TARP). \$250 billion was allocated for CPP out of \$700 billion TARP fund.

Capital rationing Placing limits on the amount of new investment undertaken by a firm, either by using a higher cost of capital, or by setting a maximum on the entire capital budget or parts of it.

Capital requirements Financing required for the operation of a business, composed of long-term and working capital plus fixed assets.

Capital reserve Retained earnings that may not be distributed to shareholders as dividends.

Capital shares One of two types of shares in a dual-purpose investment company, which entitle the holder to the appreciation or depreciation in the value of a portfolio, as well as the gains from trading in the portfolio. Antithesis of income shares.

Capital stock Stock authorized by a firm's charter and having par value, stated value, or no par value. The number and the value of issued shares are usually shown, together with the number of shares authorized, in the capital accounts section of the balance sheet. See: Common stock.

Capital structure The makeup of the liabilities and stockholders' equity side of the balance sheet, especially the ratio of debt to equity and the mixture of short and long maturities.

Capital surplus Amounts of directly contributed equity capital in excess of the par value.

Capital turnover Calculated by dividing annual sales by average stockholder equity (net worth). The ratio indicates how much a company could grow its current capital investment level. Low capital turnover generally corresponds to high profit margins.

Capital-intensive Used to describe industries that require large investments in capital assets to produce their goods, such as the automobile industry. These firms require large profit margins and/or low costs of borrowing to survive.

Capitalization The debt and/or equity mix that funds a firm's assets.

Capitalization method A method of constructing a replicating portfolio in which the manager purchases a number of the most highly capitalized names in the stock index in proportion to their capitalization.

Capitalization rate The interest rate used to calculate the present value of a number of future payments.

Capitalization ratios Also called financial leverage ratios, these ratios compare debt to total capitalization and thus reflect the extent to which a corporation is trading on its equity. Capitalization ratios can be interpreted only in the context of the stability of industry and company earnings and cash flow.

Capitalization table A table showing the capitalization of a firm, which typically includes the amount of capital obtained from each source - long-term debt and common equity - and the respective capitalization ratios.

Capitalization-Weighted Index A stock index which is computed by adding the capitalization (float times price) of each individual stock in the index, and then dividing by the divisor. The stocks with the largest market values have the heaviest weighting in the index. See also Float, Divisor.

Capitalized Recorded in asset accounts and then depreciated or amortized, as is appropriate for expenditures for items with useful lives longer than one year.

Capitalized interest Interest that is not immediately expensed, but rather is considered as an asset and is then amortized through the income statement over time. In the context of project financing, interest that is paid by additional borrowing.

CAPM See: Capital asset pricing model

Capped-Style Option A capped option is an option with an established profit cap or cap price. The cap price is equal to the option's strike price plus a cap interval for a call option or the strike price minus a cap interval for a put option. A capped option is automatically exercised when the underlying security closes at or above (for a call) or at or below (for a put) the Option's cap price.

CAPS See: Convertible adjustable preferred stock

Captive finance company A company, usually a subsidiary that is wholly owned, whose main function is financing consumer purchases from the parent company.

Caput An exotic option. It represents a call option on a put option. That is, you purchase the option to buy a put option at a particular price on or before the expiration date.

Car A loose quantity term sometimes used to describe the amount of a commodity underlying one commodity contract; e.g., "a car of bellies." Derived from the fact that quantities of the product specified in a contract once corresponded closely to the capacity of a railroad car.

Caracas Stock Exchange Originally established in 1947 and merged with a competitor in 1974 to become the only securities exchange of Venezuela.

CARDs See: Certificates of Amortized Revolving Debt

Cargo Goods being transported.

Carriage and Insurance Paid To (CIP) Seller is responsible for the payment of freight to carry goods to a named overseas destination. The seller is also responsible for providing cargo insurance at minimum coverage against the buyer's risk of loss or damage to the goods during transport. The risk of loss or damage is transferred from the seller to the buyer once the goods are delivered into the carrier's custody. This term may be used for any mode of transport.

Carriage Paid To (CPT) Seller is responsible for the payment of freight to carry goods to a named overseas destination. The risk of loss or damage is transferred from the seller to the buyer when the goods have been delivered into the carrier's custody. This term may be used for any mode of transport.

Carried interest In private equity fund or hedge fund, carried interest is a share of the profits of a successful partnership that is paid to the manager of the partnership as a form of compensation. Carried interest is typically up to 20% of the profits and becomes payable once the original investment in the fund has been repaid to the investors, plus a predefined hurdle rate.

Carrot equity British slang for an equity investment with the added benefit of an opportunity to purchase more equity if the company reaches certain financial goals.

Carry Related: Net financing cost.

Carry Trade For the bond market, this refers to a trade where you borrow and pay interest in order to buy something else that has higher interest. For example, with a positively sloped term structure (short rates lower than long rates), one might borrow at low short term rates and finance the purchase of long-term bonds. The carry return is the coupon on the bonds minus the interest costs of the short-term borrowing. Of course, if long-term interest rates unexpectedly rose (and long-term bond prices fell as a result), the carry trade could become unprofitable. Indeed, if this occurred, there could be a number of investors trying to unwind the carry trade, which would involve selling the long-term bonds. It is possible that this could exacerbate the increase in long-term interest rates, i.e. push the rates even higher. For currency, you buy the currency that has the highest local short term interest rate. For more information on currency, see: Currency Carry Trade.

Carryback See Loss carryback.

Carryforwards Tax losses allowed to be applied to offset future income in some specified number of future years.

Carrying charge The fee a broker charges for carrying securities on credit, such as on a margin account. Also, any component of a futures basis, such as storage costs, interest charges or insurance costs on the underlying interest.

Carrying costs Costs that increase with increases in the level of investment in current assets.

Carrying value Book value.

Carryover Funds unused during a financial year which are transferred to the budget for the following year.

CARs See: Certificates of Automobile Receivables

Cartel A group of businesses or nations that act together as a single producer to obtain market control and to influence prices in their favor by limiting production of a product. The United States has laws prohibiting cartels.

Carve out Usually occurs when a company decides to IPO one of their subsidiaries or divisions. The company usually only offers a minority share to the equity market. Also known as equity carve out.

Case-Shiller index A family of S&P indices created by Karl Case, Robert Shiller, and Allan Weiss used to measure the nominal value of home prices in the U.S. The Case-Shiller Indices, which are based on 20 metropolitan statistical areas (MSAs), use data on single-family homes sold more than once (resale homes) and re-sold sale prices to provide a weighted and quality-adjusted assessment of the real estate market. Calculated each month by Fiserv, Inc., the family of indices consists of 20 MSA indices and two aggregated indices.

Cash The value of assets that can be converted into cash immediately, as reported by a company. Usually includes bank accounts and marketable securities,

such as government bonds and banker's acceptances. Cash equivalents on balance sheets include securities that mature within 90 days (e.g., notes).

Cash & carry Applies to derivative products. Combination of a long position in a stock/index/commodity and short position in the underlying futures, which entails a cost of carry on the long position. Also known as cash and carry arbitrage.

Cash account A brokerage account that settles transactions on a cash-rather than credit-basis.

Cash and equivalents The value of assets that can be converted into cash immediately, as reported by a company. Usually includes bank accounts and marketable securities, such as bonds and Banker's Acceptances. Cash equivalents on balance sheets include securities (e.g., notes) that mature within 90 days.

Cash asset ratio Cash and marketable securities divided by current liabilities. See: Liquidity ratios.

Cash Available for Debt Service Ratio of cash assets to debt service (interest plus nearby principal). Used in evaluating the risk of a project or firm. The higher the ratio the less likely the firm or project will fail to meet its debt obligations.

Cash balance pension plan A cash balance pension plan is a defined-benefit plan that is maintained on an individual account basis. The employer contributes to a participant's account with a set percentage of annual compensation plus interest charges. The company holds all ownership of profits and losses in the portfolio.

Cash basis Refers to the accounting method that recognizes revenues and expenses when cash is actually received or paid out.

Cash budget A forecasted summary of a firm's expected cash inflows and cash outflows as well as its expected cash and loan balances.

Cash commodity The actual physical commodity, as distinguished from a futures contract.

Cash conversion cycle The length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable.

Cash cow A company that pays out most of its earnings per share to stockholders as dividends. Or, a company or division of a company that generates a steady and significant amount of free cash flow.

Cash cycle In general, the time between cash disbursement and cash collection. In net working capital management, it can be thought of as the operating cycle less the accounts payable payment period.

Cash deficiency agreement An agreement to invest cash in a project to the extent required to cover any cash deficiency the project may experience.

Cash delivery The provision of some futures contracts that requires not delivery of underlying assets but settlement according to the cash value of the asset.

Cash discount An incentive offered to purchasers of a firm's product for payment within a specified time period, such as ten days.

Cash dividend A dividend paid in cash to a company's shareholders. The amount is normally based on profitability and is taxable as income. A cash distribution may include capital gains and return of capital in addition to the dividend.

Cash earnings A firm's cash revenues less cash expenses, which excludes the costs of depreciation.

Cash flow In investments, cash flow represents earnings before depreciation, amortization, and non-cash charges. Sometimes called cash earnings. Cash flow from operations (called funds from operations by real estate and other investment trusts) is important because it indicates the ability to pay dividends.

Cash flow after interest and taxes Net income plus depreciation.

Cash flow break-even point The point below which the firm will need either to obtain additional financing or to liquidate some of its assets to meet its fixed costs.

Cash flow coverage ratio The number of times that financial obligations (for interest, principal payments, preferred stock dividends, and rental payments) are covered by earnings before interest, taxes, rental payments, and depreciation.

Cash flow from operations A firm's net cash inflow resulting directly from its regular operations (disregarding extraordinary items such as the sale of fixed assets or transaction costs associated with issuing securities), calculated as the sum of net income plus noncash expenses that are deducted in calculating net income.

Cash flow matching Also called dedicating a portfolio, this is an alternative to multiperiod immunization that calls for the manager to match the maturity of each element in the liability stream, working backward from the last liability to assure all required cash flows.

Cash flow per common share Cash flow from operations minus preferred stock dividends, divided by the number of common shares outstanding.

Cash flow time line Line depicting the operating activities and cash flows for a firm over a particular period.

Cash in Advance A payment term meaning the buyer pays the seller before shipment is effected.

Cash In Lieu (CIL) In a typical exchange offer, "old" shares of the target company are exchanged for "new shares".

Cash investments Short-term debt instruments such as commercial paper, banker's acceptances, and Treasury bills that mature in less than one year. Also known as money market instruments or cash reserves.

Cash management Refers to the efficient management of cash in a business in order to put the cash to work more quickly and to keep the cash in applications that produce income, such as the use of lock boxes for payments.

Cash management bill Very short-maturity bills that the Treasury occasionally sells because its cash balances are down and it needs money for a few days.

Cash markets Also called spot markets, these are markets that involve the immediate delivery of a security or instrument. Related: Derivative markets.

Cash offer Often used in risk arbitrage. Proposal, either hostile or friendly, to acquire a target company through the payment of cash for the stock of the target. Compare to exchange offer.

Cash on delivery (COD) In the context of securities, this refers to the practice of institutional investors paying the full purchase price for securities in cash.

Cash plus convertible Convertible bond that requires cash payment upon conversion.

Cash position The percentage of a mutual fund's assets invested in short-term reserves, such as US Treasury bills or other money market instruments.

Cash price Applies to derivative products. See: Spot price.

Cash ratio The proportion of a firm's assets held as cash.

Cash reserves See: Cash investments

Cash sale/settlement Transaction in which a contract is settled on the same day as the trade date, or the next day if the trade occurs after 2:30 p.m. EST and the parties agree to this procedure. Often occurs because a party is strapped for cash and cannot wait until the regular three-business day settlement. See: Settlement date.

Cash Settlement The process by which the terms of an option contract are fulfilled through the payment or receipt in dollars of the amount by which the option is in-the-money as opposed to delivering or receiving the underlying stock.

Cash settlement contracts Futures contracts such as stock index futures that settle for cash and do not involve delivery of the underlying.

Cash transaction A transaction in which exchange is immediate in the form of cash, unlike a forward contract (which calls for future delivery of an asset at an agreed-upon price).

Cash value life insurance A combination of term life insurance with a savings component. A portion of the premium is used to fund a savings or investment component that the policyholder can access by borrowing against it or by cashing in the policy.

Cash-equivalent items Examples include Treasury bills and Banker's Acceptances.

Cash-liabilities ratio Used as a measure of liquidity in a corporation. Calculated as the ratio of cash and cash equivalents to current liabilities.

Cash-on-cash return A method used to find the return on investments when there is no active secondary market. The yield is determined by dividing the annual cash income by the total investment. See: Current yield or yield to maturity.

Cash-out Laws These laws enable shareholders to sell their stakes to a "controlling" shareholder at a price based on the highest price of recently acquired shares. This works something like Fair-Price provisions extended to nontakeover situations. A few states have these laws.

Cash-surrender value The amount an insurance company will pay if the policyholder tenders or cashes in a whole life insurance policy.

Cashbook An accounting book that is composed of cash receipts plus disbursements. This balance is posted to the cash account in the ledger.

Cashed-Based Referring to an option or future that is settled in cash when exercised or assigned. No physical entity, either stock or commodity, is received or delivered.

Cashier's check A check drawn directly on a customer's account, making the bank the primary obligor, and assuring firm that the amount will be paid.

Cashout Occurs when a firm runs out of cash and cannot readily sell marketable securities.

Casualty loss A financial loss caused by damage, destruction, or loss of property as a result of an unexpected or unusual event.

Casualty-insurance Insurance protecting a firm or homeowner against loss of property, damage, and other liabilities.

Catastrophe bond Also known as cat bonds, these are used as a way for insurance agents to transfer risks to investors. They are often attractive to investors because the risks (like that of an earthquake) are uncorrelated with the business cycle – and, hence, provide natural diversification. Cat bond is typically structured so that if a major natural catastrophe hits, the principal initially paid by the investors is forgiven and used by the sponsor (the insurer) to pay its claims to policyholders.

Catastrophe call Early redemption of a municipal revenue bond because a catastrophe has destroyed the project that provided the revenue source backing the bond.

CATS See: Certificate of Accrual on Treasury Securities (CATS)

Cats and dogs Speculative stocks with short histories of sales, earnings, and dividend payments.

Caveat emptor, caveat subscriptor Latin expressions for “buyer beware” and “seller beware,” which warn of overly risky, inadequately protected markets.

CAX The ISO 4217 currency code for Canadian Cent.

CBD See: Cash In Advance.

CBFA See: Commission Bancaire, Financiere et des Assurances.

CBO See: Collateralized Bond Obligation.

CBOE See: Chicago Board Options Exchange

CC The two-character ISO 3166 country code for COCOS (KEELING) ISLANDS.

CCK The three-character ISO 3166 country code for COCOS (KEELING) ISLANDS.

CCO Chief Compliance Officer.

CCP See: Central Counterparty Clearing House

CCR See: Counterparty Credit Risk.

CD (1) See: Certificate of deposit CD (2) The two-character ISO 3166 country code for CONGO, THE DEMOCRATIC REPUBLIC OF.

CD (1) See: Certificate of deposit CD (2) The two-character ISO 3166 country code for CONGO, THE DEMOCRATIC REPUBLIC OF.

CDC See: Commonwealth Development Corp

CDN See: Canadian Dealing Network

CDO See: Collateralized Debt Obligation.

CDO squared A CDO in which the underlying asset pool contains tranches of other CDOs.

CDS See: Credit Default Swap.

Cease-and-desist order An order issued after notice and opportunity for hearing, requiring a depository institution, a holding company or a depository institution official to terminate unlawful, unsafe or unsound banking practices. Cease-and-desist orders are issued by the appropriate federal regulatory agencies under the Financial Institutions Supervisory Act and can be enforced directly by the courts.

CEBS See: Committee European Banking Supervisors.

CEC See: Commodities Exchange Center

Cede & Co. Nominee name for The Depository Trust Company, a large clearing house that holds shares in its name for banks, brokers and institutions in order to expedite the sale and transfer of stock.

CEDEL A centralized clearing system for Eurobonds.

Ceiling The highest price, interest rate, or other numerical factor allowable in a financial transaction.

Centillion A unit of quantity equal to 10303 (1 followed by 303 zeros).

Central bank A country's main bank whose responsibilities include the issue of currency, the administration of monetary policy, open market operations, and

engaging in transactions designed to facilitate healthy business interactions. See: Federal Reserve System.

Central bank intervention The buying or selling of currency, foreign or domestic, by central banks in order to influence market conditions or exchange rate movements.

Central bank liquidity swap Announced by the Federal Reserve on December 12, 2007, the Fed made temporary agreements with 14 central banks around the world to provide liquidity in U.S. dollars to overseas markets. The agreements terminated on Feb. 1, 2010.

Central Counterparty Clearing House An organization in European countries that helps facilitate trading done in European derivatives and equities market.

Central Limit Theorem The Law of Large Numbers states that as a sample of independent, identically distributed random numbers approaches infinity, its probability density function approaches the normal distribution. See: Normal Distribution.

Centralized cash flow management Provision of consolidated cash management decisions to all MNC units from one location, usually at the parent's headquarters.

Cents per share The amount of a mutual fund's dividend or capital gains distributions that a shareholder will receive for each share owned.

Certainty equivalent An amount that would be accepted today (risk free) in lieu of a chance to receive a possibly higher, but uncertain, amount.

Certainty Equivalent Return The certain (zero risk) return an investor would trade for a given (larger) return with an associated risk. For example, a particular investor might trade an uncertain expected 4% active return with 6% risk, for a certain active return of 1.5%. Used as a way to incorporate individual investor risk tolerances into financial decisions.

Certificate A formal document used to record a fact and used as proof of the fact, such as stock certificates, that evidence ownership of stock in a corporation.

Certificate of Accrual on Treasury Securities (CATS) Refers to a zero-coupon US Treasury issue that is sold at a deep discount from the face value and pays no coupon interest during its lifetime, but returns the full face value at maturity.

Certificate of deposit (CD) Also called a time deposit this is a certificate issued by a bank or thrift that indicates a specified sum of money has been deposited. A CD has a maturity date and a specified interest rate, and can be issued in any denomination. The duration can be up to five years.

Certificate of Origin A document certifying the country of origin for goods sold internationally.

Certificateless municipals Municipal bonds with one certificate which is valid for the entire issue, and having no individual certificates, easing transactions. See: Book-entry securities.

Certificates of Amortized Revolving Debt (CARD) Pass-through securities backed by credit card receivables.

Certificates of Automobile Receivables (CAR) Pass-through securities backed by automobile loan receivables.

Certified check A bank guaranteed check for which funds are immediately withdrawn, and for which the bank is legally liable.

Certified Financial Planner (CFP) A person who has passed examinations accredited by the Certified Financial Planner Board of Standards, showing that the person is able to manage a client's banking, estate, insurance, investment, and tax affairs.

Certified financial statements Financial statements that include an accountant's opinion.

Certified Public Accountant (CPA) An accountant who has met certain standards, including experience, age, and licensing, and passed exams in a particular state.

CF The two-character ISO 3166 country code for CENTRAL AFRICAN REPUBLIC.

CFAT See: Cash flow after taxes

CFC See: Controlled foreign corporation

CFD See: Contract for Difference

CFR See: Cost and Freight

CFTC See: Commodity Futures Trading Commission

CG The two-character ISO 3166 country code for The Congo.

CH The two-character ISO 3166 country code for SWITZERLAND.

Chain base index For this type of index, a value in any specific time period is based on the value of the same entity in the preceding period. Changes in values can be compared between sequential time periods. This differs from a fixed base index in which values in any period are based on the initial value. See: Fixed base index, Index number

Chair of the board Highest-ranking member of a Board of Directors, who presides over its meetings and who is often the most powerful officer of a corporation.

Changes in financial position Sources and uses of funds provided from operations that alter a company's cash flow position: depreciation, deferred taxes, other sources, and capital expenditures.

CHAP See: Clearing House Automated Payments System

Chapter 11 Proceedings Provisions of the Bankruptcy Reform Act under which the debtor firm is reorganized by a court because the estimated value of the reorganized firm exceeds the expected proceeds from its liquidation.

Chapter 12 A section of the U.S. Bankruptcy Code that deals with agricultural bankruptcies. It is simpler, more streamlined, and less expensive than Chapter 11.

Chapter 13 A section of the U.S. Bankruptcy Code that deals with reorganization of debt of wage-earning individuals, including the opportunity to save their homes from foreclosure.

Chapter 22 A colloquial term that refers to a second Chapter 11 filing by a corporation.

Chapter 33 A colloquial term that refers to a third Chapter 11 filing by a corporation.

Chapter 7 Proceedings Provisions of the Bankruptcy Reform Act under which the debtor firm's assets are liquidated by a court because reorganization would fail to establish a profitable business.

Chapter 9 A section of the U.S. Bankruptcy Code that deals with reorganization of a municipality's debt. Also known as Municipal reorganization.

Characteristic line The market model applied to a single security; a regression of security returns on the benchmark return. The slope of the regression line is a security's beta.

Characteristic portfolio A portfolio which efficiently represents a particular asset characteristic. For a given characteristic, it is the minimum risk portfolio, with portfolio characteristic equal to 1. For example, the characteristic portfolio of asset betas is the benchmark. It is the minimum risk $\beta = 1$ portfolio.

Charge The document evidencing mortgage security required by Crown Law (law derived from English law). A Fixed Charge refers to a defined set of assets and is usually registered. A Floating Charge refers to other assets which change from time to time (ie. cash, inventory, etc.), which become a Fixed Charge after a default.

Charge back A transaction where the card holder bank reverses a previous transaction between a merchant and a consumer in case of a dispute. The bank reimburses the consumer by withdrawing the transaction amount from the merchant's account

Charge off See: Bad debt

Charitable remainder trust An irrevocable trust that pays income to a designated person or persons until the grantor's death, when the income is passed on to a designated charity. A charitable lead trust by contrast allows the charity to receive income during the grantor's life, and the remaining income to pass to designated family members upon the grantor's death.

Charter See: Articles of incorporation

Charter Amendment Limitations These provisions limit shareholders' ability to amend the governing documents of the corporation. This might take the form of a supermajority vote requirement for charter or bylaw amendments, total elimination of the ability of shareholders to amend the bylaws, or the ability of directors beyond the provisions of state law to amend the bylaws without shareholder approval.

Chartered Financial Analyst (CFA) An experienced financial analyst who has passed examinations in economics, financial accounting, portfolio management, security analysis, and standards of conduct given by the Institute of Chartered Financial Analysts.

Chartists A technical analyst who charts the patterns of stocks, bonds, and commodities to find trends in patterns of trading used to advise clients. Related: Technical analysts.

Chasing the market Purchasing a security at a higher price than expected because prices are rapidly climbing, or selling a security at a lower level when prices are quickly falling.

Chastity bonds Bonds redeemable at par value in the case of a takeover.

Chattel Mortgage A loan agreement that grants to the lender a lien on property other than real estate. Chattel is personal or movable property.

Chatter See: Whipsawed

CHE The three-character ISO 3166 country code for SWITZERLAND.

Cheapest to deliver issue The acceptable Treasury security with the highest implied repo rate; the rate that a seller of a futures contract can earn by buying an issue and then delivering it at the settlement date.

Check A bill of exchange representing a draft on a bank from deposited funds that pays a certain sum of money to a certain person or party.

Check clearing The movement of a check from the depository institution at which it was deposited back to the institution on which it was written; the movement of funds in the opposite direction and the corresponding credit and debit to the involved accounts. The Federal Reserve operates a nationwide check-clearing system.

Checking Account A deposit account held with a financial institution that allows for withdrawals through checks, automated teller machines, or debit cards. Typically pays no interest or lower interest rate as compared to Savings account

Checking the market Searching for bid and offer prices from market makers to find the best deal.

Checkwriting Free checkwriting privileges offered with nonretirement accounts for select mutual funds.

CHESS See: Clearing House Electronic Subregister System

CHF The ISO 4217 currency code for Swiss Franc.

Chicago Board of Trade (CBOT) The second largest futures exchange in the US, and a pioneer in the development of financial futures and options. CBOT merged with Chicago Mercantile Exchange (CME) in July 2007 and is now operated as a unit of the CME group.

Chicago Board Options Exchange (CBOE) A securities exchange created in the early 1970s for the public trading of standardized option contracts. Primary place for the trading of stock options, foreign currency options, and index options (S&P 100, 500, and OTC 250 index)

Chicago Mercantile Exchange (CME) Chicago Mercantile Exchange (CME) is the largest futures exchange in the United States and the second largest exchange in the world for the trading of futures and options on futures. Founded in 1898 as a not-for-profit corporation, in November 2000 CME became the first U.S. financial exchange to demutualize and become a shareholder-owned corporation. Its futures and options on futures trade on CME's trading floors, on its GLOBEX electronic trading platform and through privately negotiated transactions. CME has four major product areas based on interest rates (including Eurodollar futures, the world's most actively traded futures contract), stock indexes (such as the (S&P 500 and Nasdaq-100 futures), foreign exchange and commodities.

Chicago Stock Exchange (CHX) A major exchange trading only stocks, with 90% of trades taking place on an automated execution system, called MAX.

Chief Executive Officer (CEO) A title held often by the Chairperson of the Board, or the president. The person principally responsible for the activities of a company.

Chief Financial Officer (CFO) The officer of a firm responsible for handling the financial affairs of a company.

Chief Operating Officer (COO) The officer of a firm responsible for day-to-day management, usually the president or an executive vice-president.

China National Offshore Oil Corporation (Cnooc) One of the three major national oil companies of China. 70% owned by the government of China. A subsidiary is listed in Hong Kong and New York

Chinese hedge Applies mainly to convertible securities. Trading hedge in which one is short the convertible and long the underlying common, in the hope that the convertible's premium will fall. Antithesis of set-up.

Chinese wall Communication barrier between financiers at a firm (investment bankers) and traders. This barrier is erected to prevent the sharing of inside information that bankers are likely to have.

CHIPS See: Clearing House Interbank Payments System

CHL The three-character ISO 3166 country code for CHILE.

CHN The three-character ISO 3166 country code for CHINA.

Choice market Applies mainly to international equities. Locked market in London terminology.

Chooser option An option that gives its holder the right to choose at a pre-specified time (before maturity) whether the option is a call or a put.

Churning Excessive trading of a client's account in order to increase the broker's commissions.

CI The two-character ISO 3166 country code for COTE D'IVOIRE.

CIF See: Cost Insurance and Freight

Cincinnati Stock Exchange (CSE) Stock exchange based in Cincinnati that is the only fully automated stock exchange in the US. It has no trading floor, but handles all members' transactions using computers.

Circle Underwriters, actual or potential, often seek out and "circle" investor interest in a new issue before final pricing. The customer circled has basically made a commitment to purchase the issue if it is available at an agreed-upon price. If the actual price is other than that stipulated, the customer supposedly has first offer at the actual price.

Circuit breakers Measures instituted by exchanges to stop trading temporarily when the market has fallen by a certain percentage in a specified period. They are intended to prevent a market free fall by permitting buy and sell orders to rebalance.

Circus swap A fixed-rate currency swap against floating US dollar LIBOR payments. An acronym that stands for Combined Interest Rate and Currency Swap.

Citizen bonds Certificateless municipals that can be registered on stock exchanges and are listed in newspapers.

City code on takeovers and mergers See: Dawn raid

CIV The three-character ISO 3166 country code for COTE D'IVOIRE.

CK The two-character ISO 3166 country code for COOK ISLANDS.

CL The two-character ISO 3166 country code for CHILE.

Claim dilution A decrease in the likelihood that one or more of a firm's claimants will be fully repaid, including time value of money considerations.

Claimant A party to an explicit or implicit contract.

Class In the case of derivative products, options of the same type-put or call-with the same underlying security. See: Series. In general, refers to a category of assets such as: domestic equity, fixed income, etc.

Class A/Class B shares See: Classified stock

Class action A legal complaint filed by a lawyer or group of lawyers for a group of petitioners with an identical grievance, often with an award proportionate to the number of shareholders involved.

Class of Options Option contracts of the same type (call or put) and Style (American, European or Capped) that cover the same underlying security.

Classified Board Also known as Staggered Board: is one in which the directors are placed into different classes and serve overlapping terms. Since only part of the board can be replaced each year, an outsider who gains control of a corporation may have to wait a few years before being able to gain control of the board. This slow replacement makes a classified board an effective delays of takeovers. Sometimes known as a delay provision.

Classified stock The division of stock into more than one class of common stock, usually called Class A and Class B. The specific features of each class, which are set out in the charter and bylaws, usually give certain advantages to the Class A shares, such as increased voting power.

Claused Bill of Lading A bill of lading with a notation that indicates damage or shortage. Also called foul bill of lading and are the opposite of clean bills of lading.

Clawback A dividend clawback is an arrangement whereby the equity owners commit to use dividends they have received in the past to finance the cash needs of the project or corporation in the future. Clawback has a more general definition. For example, premiums paid on an insurance policy may be refunded

(or clawed back) if the policy is cancelled in a certain time frame. Such an arrangement is specified in the contract and referred to as a clawback provision.

Clean In the context of general equities, block trade that matches buy or sell orders/interests, sparing the block trader any inventory risk (no net position and hence none available for additional customers). Natural. Antithesis of open.

Clean Bill of Lading A bill of lading bearing no findings of damage or shortage.

Clean opinion An auditor's opinion reflecting an unqualified acceptance of a company's financial statements.

Clean price Bond price excluding accrued interest.

Clean Report of Findings A report issued by an inspection firm, indicating that price has been verified, that the goods have been inspected prior to shipment, and that both conform to buyer specifications.

Clean up In the context of general equities, purchase/sale of all the remaining supply of stock, or the last piece of a block, in a trade-leaving a net zero position.

Clean-up merger Consolidation of the acquired firm into the acquiring firm after the merger. Also called take-out merger.

Clear To settle a trade by the seller delivering securities and the buyer delivering funds in the proper form. A trade that does not clear is said to fail. Comparison of the details of a transaction between broker/dealers prior to settlement; final exchange of securities for cash on delivery.

Clear a position To eliminate a long or short position, leaving no ownership or obligation.

Clear title Title to ownership that is untainted by any claims on the property or disputed interests, and therefore available for sale. This is usually checked through a title search by a title company.

Clearing corporations Organizations that are affiliated with exchanges and are used to complete securities transactions by taking care of validation, delivery, and settlement.

Clearing House Automated Payments System (CHAPS) A computerized clearing system for sterling funds that began operations in 1984. It includes 14 member banks, nearly 450 participating banks, and is one of the clearing companies within the structure of the Association for Payment Clearing Services (APACS).

Clearing House Electronic Subregister System (CHES) CHES is the automatic transfer and settlement system for the majority of Australian Stock Exchange (ASX) listed securities.

Clearing house funds Funds from the Federal Reserve System, requiring three days to clear, that are passed to and from banks.

Clearing House Interbank Payments System (CHIPS) An international wire transfer system for high-value payments operated by a group of major banks.

Clearing member A member firm of a clearing house. Each clearing member must also be a member of the exchange. Not all members of the exchange, however, are members of the clearing organization. All trades of a non-clearing member must be registered with, and eventually settled through, a clearing member.

Clearing Member Trade Agreement (CMTA) An agreement that allows a client to execute derivative trades through different brokers yet consolidate positions for clearing purposes at one brokerage firm.

Clearinghouse An adjunct to a futures exchange through which transactions executed on its floor where trades are settled by a process of matching purchases and sales. A clearing organization is also charged with the proper conduct of delivery procedures and the adequate financing of the entire operation.

CLF The ISO 4217 currency code for Chile Unidades de Fomento.

Clientele effect Describes the tendency of funds or investments to be followed by groups of investors who have similar preferences for a firm which follows a particular financing policy, such as the amount of leverage it uses.

CLO See: Collateralized Loan Obligation.

Clone fund A new fund set up in a fund family to emulate another successful fund.

Close The close is the period at the end of the trading session. Sometimes used to refer to closing price. Related: Opening.

Close a position In the context of general equities, eliminate an investment from one's portfolio, by either selling a long position or covering a short position.

Close market An market in which there is a narrow spread between bid and offer prices, due to a high volume of trading and many competing market makers.

Close-end credit An agreement in which advanced credit plus any finance charges are expected to be repaid in full over a definite time. Most real estate and automobile loans are closed-end agreements.

Closed corporation A corporation whose shares are owned by just a few people, having no public market.

Closed fund A mutual fund that is no longer issuing shares, mainly because it has grown too large.

Closed out Position that is liquidated when the client does not meet a margin call or cover a short sale.

Closed-end fund An investment company that issues shares like any other corporation and usually does not redeem its shares. A publicly traded fund sold

on stock exchanges or over the counter that may trade above or below its net asset value. Related: Open-end fund.

Closed-end management company An investment company that has only a set number of shares of the mutual fund that it manages, and does not create new shares if demand increases. Antithesis of an open-end management company.

Closed-end mortgage Mortgage against which no additional debt may be issued.

Closely held A corporation whose voting stock is owned by only a few shareholders.

Closely held company A company who has a small group of controlling shareholders. In contrast, a widely-held firm has many shareholders. It is difficult or impossible to wage a proxy battle for any closely-held firm.

Closing costs All the expenses involved in transferring ownership of real estate.

Closing price Price of the last transaction of a particular stock completed during a day's trading session on an exchange.

Closing purchase A transaction in which the purchaser's intention is to reduce or eliminate a short position in a stock, or in a given series of options.

Closing quote The last bid and offer prices of a particular stock at the close of a day's trading session on an exchange.

Closing range Also known as the range. The high and low prices, or bids and offers, recorded during the period designated as the official close. Related: Settlement price.

Closing sale A transaction in which the seller's intention is to reduce or eliminate a long position in a stock, or a given series of options.

Closing tick The net of the number of stocks whose closing prices are higher than their previous trades (uptick) against the number of stocks whose closing prices were lower than their previous trades (downtick). A positive closing tick indicates “buying at the close”, or a bullish market; a negative closing tick indicates “selling at the close,” or a bearish market. See: TRIN.

Closing transaction Applies to derivative products. Buy or sell transaction that eliminates an existing position (selling a long option or buying back a short option). Antithesis of opening transaction.

Closing TRIN See: TRIN

Cloud on title Any claim or encumbrance, usually discovered in a title search, that may impair the title to a property, and make its validity questionable. See: bad title.

CLP The ISO 4217 currency code for Chilean Peso.

Club A group of underwriters who do not need to proceed to form a syndicate.

Cluster analysis A statistical technique that identifies clusters of stocks whose returns are highly correlated within each cluster and relatively uncorrelated across clusters. Cluster analysis has identified groupings such as growth, cyclical, stable, and energy stocks.

CM The two-character ISO 3166 country code for CAMEROON.

CMBS See: Commercial Mortgage Backed Securities

CME See: Chicago Mercantile Exchange

CML See: Capital market line

CMO See: Collateralized mortgage obligation

CMO REIT A very risky type of Real Estate Investment Trust investing in the residual cash flows of Collateralized Mortgage Obligation (CMOs). CMO cash flows are derived from the difference between the rates paid by the mortgage loan holders and the lower, shorter-term rates paid to CMO investors.

CMR The three-character ISO 3166 country code for CAMEROON.

CMTA See: Clearing Member Trade Agreement

CMVM See: Comissão do Mercado de Valores Mobiliários.

CN The two-character ISO 3166 country code for CHINA.

CNMV See: Comisión Nacional del Mercado de Valores.

CNOOC See: China National Offshore Oil Corporation

CNY The ISO 4217 currency code for Chinese Renminbi (Yuan).

CO The two-character ISO 3166 country code for COLOMBIA.

Co-agent An institution appointed by the issuer as co-transfer agent accepts and transfers certificates and sends daily activity journals to the primary record-keeping agent. A co-agent does not maintain security holder records, but is used to facilitate the transfer of stock in a geographic region not easily accessible to the issuer or its principal transfer agent.

Co-financing A type of financing in which the different lenders agree to fund under the same documentation and security packages but may have different interest rates, repayment profiles, and terms.

Co-manager A second-tier Participant, ranked by size of participation.

Coattail investing A risky trading practice of making trades similar to those of other successful investors, usually institutional investors.

Cocos See: Contingent convertible capital instruments

COD The three-character ISO 3166 country code for CONGO, THE DEMOCRATIC REPUBLIC OF.

COD transaction See: Delivery versus payment

Code of procedure The guide of the National Association of Securities Dealers used to adjudicate complaints filed against NASD members.

Coefficient of determination A measure of the goodness of fit of the relationship between the dependent and independent variables in a regression analysis; for instance, the percentage of variation in the return of an asset explained by the market portfolio return. Also known as R-square.

Coefficient of Variation A measure of investment risk that defines risk as the standard deviation per unit of expected return.

Coface The French Export Credit Agency.

Coffee, Sugar & Cocoa Exchange (CS&CE) The historic New York-based commodity exchange trading futures and options. In June 2004, the CS&CE merged with the New York Cotton Exchange (NYCE) to form the New York Board of Trade. As a result of this merger, all previous exchanges and subsidiaries ceased to exist, including the Coffee, Sugar, & Cocoa Exchange, the New York Cotton Exchange, the Citrus Associates of the New York Cotton Exchange, the New York Futures Exchange (NYFE), and the FINEX Exchange. All markets are now referred to as the New York Board of Trade or NYBOT.

Cofinancing agreements Joint participation of the World Bank and other agencies or lenders in providing funds to developing countries.

COG The three-character ISO 3166 country code for The Congo.

Coherent Market Hypothesis A hypothesis that the probability density function of the market may be determined by a combination of group sentiment and fundamental bias. Depending on combinations of these two factors, the market can be in one of four states: random walk, unstable transition, chaos, or coherence.

Coincident indicators Economic indicators that give an indication of the current status of the economy.

Coinsurance effect Refers to the fact that the merger of two firms lessens the probability of default on either firm's debt.

COK The three-character ISO 3166 country code for COOK ISLANDS.

COL The three-character ISO 3166 country code for COLOMBIA.

COLAs See: Cost of living adjustments

Cold-calling Calling potential new customers in the hope of selling stocks, bonds or other financial products and receiving commissions.

Collar Refers to the ceiling and floor of the price fluctuation of an underlying asset. A collar is usually set up with options, swaps, or by other agreements. In corporate finance, the collar strategy of buying puts and selling calls is often used to mitigate the risk of a concentrated position in (sometimes) restricted stock. When the restricted owner can't sell the stock, but needs to diversify the risk, a collar transaction is one of the few tools available. Many corporate executives who receive chunks of their compensation in restricted stock need to employ this strategy to mitigate the diversification risk in their overall portfolio.

Collateral In the context of project financing, additional security pledged to support the project financing.

Collateral trust bonds A bond in which the issuer (often a holding company) grants investors a lien on stocks, notes, bonds, or other financial asset as security. Compare mortgage bond.

Collateralized Bond Obligation (CBO) Investment-grade bonds backed by a collection of junk bonds with different levels of risk, called tiers, that are determined by the quality of junk bond involved. CBOs backed by highly risky junk bonds receive higher interest rates than other CBOs.

Collateralized Debt Obligation (CDO) A general inclusive term which covers Collateralized Bond Obligations, Collateralized Loan Obligations, and Collateralized Mortgage Obligations,

Collateralized loan obligation (CLO) A security backed by a pool of commercial or personal loans , structured so that there are several classes of bondholders with varying maturities, called tranches. Similar in structure to Collateralized Mortgage Obligations.

Collateralized mortgage obligation (CMO) A security backed by a pool of pass-through rates, structured so that there are several classes of bondholders with varying maturities, called tranches. The principal payments from the underlying pool of pass-through securities are used to retire the bonds on a priority basis as specified in the prospectus. Related: mortgage pass-through security.

Collecting Bank A bank that assists in obtaining payment in accordance with draft payment terms.

Collection The presentation of a negotiable instrument for payment, or the conversion of any accounts receivable into cash.

Collection float The period between the time is a check is deposited in an account and the time funds are made available.

Collection fractions The percentage of a given month's sales collected during the month of sale and each month following the month of sale.

Collection period See: Collection ratio

Collection policy Procedures a firm follows in attempting to collect accounts receivables.

Collection ratio The ratio of a company's accounts receivable to its average daily sales, which gives the average number of days it takes the company to convert receivables into cash.

Collective Action Clause (CAC) CAC allows bondholders to agree on debt restructuring even when some bondholders are against restructuring as long as majority agrees.

Collective wisdom The combination of all the individual opinions about a stock's or security's value.

Colombo Stock Exchange Established in 1984, the only public stock exchange of Sri Lanka.

COLT (Continuous on-line trading system) Computerized OTC traders assistance system that provides for trade entry and position monitoring, among other functions.

COM The three-character ISO 3166 country code for COMOROS.

Comanager A bank that ranks just below a lead manager in a syndicated Eurocredit or international bond issue. Comanagers may assist the lead manager bank in the pricing and issue of the instrument.

Combination Applies to derivative products. Arrangement of options involving two long or two short positions with different expiration dates or strike (exercise) prices. See: Straddle.

Combination annuity See: Hybrid annuity

Combination bond A bond backed by the government unit issuing it as well as by revenue from the project that is to be financed by the bond.

Combination matching Also called horizon-matching, a variation of multiperiod immunization and cash flow-matching in which a portfolio is created that is always duration-matched and also cash-matched in the first few years.

Combination order See: Alternative order

Combination strategy A strategy in which a put and call with different strike prices and the same expiration are either both bought or both sold. Related: Straddle

Combined financial statement A financial statement that merges the assets, liabilities, net worth, and operating figures of two or more affiliated companies. A combined statement is distinguished from a consolidated financial statement of a company and subsidiaries, which must reconcile investment and capital accounts.

Come in In the context of general equities, a fall in price.

Come out of the trade In the context of general equities, trader's position in a security that results from executing a trade (or the expectations thereof). Antithesis of going into the trade.

Comeout In the context of general equities, the opening. Antithesis of the close.ublic utilities, service, and industrial companies. Does not include loans secured by real estate.

COMEX A division of the New York Mercantile Exchange (NYMEX). Formerly known as the Commodity Exchange, COMEX is the leading US market for metals futures and options trading.

Comfort letter A letter from an independent auditor included in a preliminary prospectus stating that, while a full audit has not been undertaken, the auditor has done a 'review' sufficient to assure that financial statement information in the preliminary prospectus is correctly prepared to the best of the auditor's knowledge. The auditor in effect states that, had a full audit been done, they

are comfortable that the audited financial statements would not be materially different from the ones presented in the preliminary prospectus.

Comisión Nacional del Mercado de Valores (CNMV) Spain's supervisory authority for the Spanish financial markets. Spain's financial regulator.

Comissão do Mercado de Valores Mobiliários (CMVM) Portugal's supervisory authority for the Portuguese financial markets. Portugal's financial regulator.

Commercial and Industrial Loan (C&I Loan) Loan made to a business or corporation and not to an individual. This type of loan is usually short-term floating loan and is almost always backed with a collateral. Commercial and Industrial Loans (C&I) Loans made to corporations and other business enterprises (not to individuals) for commercial or industrial purposes. Non-financial issuers include p

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Commercial bank Bank that offers a broad range of deposit accounts, including checking, savings and time deposits and extends loans to individuals and business. Commercial banks can be contrasted with investment banking firms, such as brokerage firms, which generally are involved in arranging for the sale of corporate or municipal securities.

Commercial draft Demand for payment.

Commercial Futures Trading Commission Independent federal agency that regulates trading in futures and options.

Commercial hedgers Companies that take futures positions in commodities so that they can guarantee prices at which they will buy raw materials or sell their products.

Commercial invoice Bill for merchandise sold.

Commercial letters of credit Trade-related agreement that a certain amount of bank funds is available to an entity.

Commercial loan A short-term loan, typically 90 days, used by a company to finance seasonal working capital needs.

Commercial Mortgage Backed Securities Similar to MBS but backed by loans secured with commercial rather than residential property. Commercial property includes multi-family, retail, office, etc., They are not standardized so there are a lot of details associated with structure, credit enhancement, diversification, etc., that need to be understood when valuing these instruments.

Commercial paper Short-term promissory notes either unsecured or backed by assets such as loans or mortgages issued by a corporation. The maturity of commercial paper is typically less than 270 days; the most common maturity range is 30 to 50 days or less. They are usually sold, like Treasury bills, at a discount.

Commercial Paper Funding Facility (CPFF) In 2008, the Federal Reserve offered to purchase highly rated, three-month commercial paper in response to difficulty companies had raising money in the commercial paper market. The goals were to persuade investors to lend to top-tier companies and give borrowers a backstop if funds can't be obtained in the open market. The CPFF began operations on Oct. 27, 2008, and closed on Feb. 1, 2010.

Commercial property Real estate that produces some sort of income-producing property.

Commercial real estate loans Loans secured with commercial rather than residential property.

Commercial risk The risk that a debtor will be unable to pay its debts because of business events, such as bankruptcy.

Commingling In the context of securities, this involves mixing customer-owned securities with brokerage firm-owned securities. This process is referred to as rehypothecation, which is the use of customers' collateral to secure their loans. This is legal with customer consent, although some securities and collateral must be kept separately.

Commission The fee paid to a broker to execute a trade, based on number of shares, bonds, options, and/or their dollar value. In 1975, deregulation led to the establishment of discount brokers, who charge lower commissions than full service brokers. Full service brokers offer advice and usually have a staff of analysts who follow specific industries. Discount brokers simply execute a client's order and usually do not offer an opinion on a stock. Also known as a round-turn. Commissions are known as round-turn only in futures trading, since the commission is assessed only after liquidation of the position.

Commission Bancaire, Financiere et des Assurances (CBFA) Belgium's supervisory authority for the Belgian financial markets. Belgium's financial regulator.

Commission broker A broker on the floor of an exchange who acts as agent for a particular brokerage house and buys and sells stocks for the brokerage house on a commission basis.

Commission de Surveillance du Secteur Financier (CSSF) Luxembourg's supervisory authority for the Luxembourg financial markets. Luxembourg's financial regulator.

Commission house A firm that buys and sells futures contracts for customer accounts. Related: futures commission merchant, omnibus account.

Commission-only compensation Payment to a financial advisers of only commissions on investments purchased when the client implements the recommended financial plan.

Commissione Nazionale per le Società e la Borsa (CONSOB) Italy's supervisory authority for the Italian financial markets. Italian financial regulator.

Commitment Describes a trader's obligation to accept or make delivery on a futures contract. Related: Open interest.

Committee of European Banking Supervisors The Committee of European Banking Supervisors (CEBS) gives advice to the European Commission on policy and regulatory issues related to banking supervision. CEBS is composed of high level representatives from the banking supervisory authorities and central banks of the European Union.

Committee on Uniform Securities Identification Procedures (CUSIP) Committee that assigns identifying numbers and codes for all securities. These “CUSIP” numbers and symbols are used when recording all buy or sell orders.

Commodities Exchange Center (CEC) The location of five New York futures exchanges: Commodity Exchange, Inc. (COMEX); the New York Mercantile Exchange (NYMEX); New York Cotton Exchange, Coffee, Sugar & Cocoa Exchange (CS&CE), and New York Futures Exchange (NYFE).

Commodity A commodity is food, metal, or another fixed physical substance that investors buy or sell, usually via futures contracts.

Commodity Bundle One unit of the collection of the complete set of goods produced and sold in the world market.

Commodity Channel Index An index used in technical analysis. High values mean a potential future correction (downward movement in underlying asset) and low values potentially forecast a rally. Details in Donald Lambert’s October 1980 article in *Commodities Magazine*.

Commodity futures contract An agreement to buy a specific amount of a commodity at a specified price on a particular date in the future, allowing a producer to guarantee the price of a product or raw material used in production.

Commodity Futures Trading Commission (CFTC) An agency created by the US Congress in 1974 to regulate exchange trading in futures.

Commodity indices Indices measuring the price and performance of physical commodities, often by the price of futures contracts for the commodities that are listed on commodity exchanges.

Commodity paper A loan or advance secured by commodities.

Commodity Research Bureau Produces a popular price index of 17 commodities which is often used to track inflationary trends in the economy.

Commodity Trading Advisor An investment manager that focuses on long and short trading in the futures markets. The trades are often intraday trades. Sometimes referred to as Managed Futures.

Commodity-backed bond A bond with interest payments tied to the price of an underlying commodity.

Common code A nine-digit identification code issued jointly by CEDEL and Euroclear. As of January 1991 common codes replaced the earlier separate CEDEL and Euroclear codes.

Common factor An element of return that influences many assets. According to multiple factor risk models, the factors determine correlations between asset returns. Common factors include size (often measured by market capitalization), valuation measures such as price to book value ratio and dividend yield, industries and risk indices.

Common market An agreement between two or more countries that permits the free movement of capital and labor as well as goods and services.

Common shares In general, a public corporation has two types of shares, common and preferred. The common shares usually entitle the shareholders to vote at shareholders meetings. The common shares have a discretionary dividend.

Common stock Securities that represent equity ownership in a company. Common shares let an investor vote on such matters as the election of directors. They also give the holder a share in a company's profits via dividend payments or the capital appreciation of the security. Units of ownership of a public corporation with junior status to the claims of secured/unsecured creditors, bondholders and preferred shareholders in the event of liquidation.

Common stock equivalent A convertible security that is traded like an equity issue because the optioned common stock is trading above the conversion price.

Common stock fund A mutual fund investing only in common stock.

Common stock market The market for trading equities, not including preferred stock.

Common stock ratios Ratios that are designed to measure the relative claims of stockholders to earnings (cash flow per share), and equity (book value per share) of a firm.

Common stock/other equity Value of outstanding common shares at par, plus accumulated retained earnings. Also called shareholders' equity.

Common-base-year analysis The representing of accounting information over multiple years as percentages of amounts in an initial year.

Common-size analysis The representing of balance sheet items as percentages of assets and of income statement items as percentages of sales.

Common-size statement A statement in which all items are expressed as a percentage of a base figure, useful for purposes of analyzing trends and changing relationship among financial statement items. For example, all items in each year's income statement could be presented as a percentage of net sales.

Commonwealth Development Corp A British development finance institute.

Community Reinvestment Act (CRA) Enacted by Congress in 1977, the CRA encourages banks to help meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes, while maintaining safe and sound operations.

Community Bank A smaller bank that is regulated by the Office of the Comptroller of Currency (OCC). Currently, there is no official definition of Community Bank, i.e. in terms of asset size.

Companion bonds A class of a Collateralized Mortgage Obligation (CMO) whose principal is paid off first when the underlying mortgages are prepaid due to falling interest rates. When interest rates rise, there will be lower prepayments of the principal; companion bonds therefore absorb most of the prepayment risk of a CMO.

Company A proprietorship, partnership, corporation, or other form of enterprise that engages in business.

Company doctor An executive, usually appointed from outside, brought in to turn a company around and make it profitable.

Company-specific risk Related: Unsystematic risk

Comparative advantage Theory suggesting that specialization by countries can increase worldwide production.

Comparative credit analysis Comparing a firm to others that have a desired target debt rating in order to deduce an appropriate financial ratio target.

Comparative statements Financial statements for different periods, that allow the comparison of figures to illustrate trends in a company's performance.

Comparison Short for "comparison ticket," a memorandum between two brokers that confirms the details of a transaction to be carried out.

Comparison universe A group of money managers of similar investment style used to assess relative performance of a portfolio manager.

Compensating balance An excess balance that is left in a bank to provide indirect compensation for loans extended or services provided.

Compensation Arrangement under which the delivery of goods to a party is paid for by buying back a certain amount of the product from the recipient of the goods.

Compensation trade The form of countertrade in which an incoming investment is repaid from the revenues generated by that investment.

Compensatory Financing Facility (CFF) Entity that attempts to reduce the impact of export instability on country economies.

Competence Sufficient ability or fitness for one's needs. The necessary abilities to be qualified to achieve a certain goal or complete a project.

Competition Intra- or intermarket rivalry between or among businesses trying to obtain a larger piece of the same market share.

Competition ahead Often used in risk arbitrage. Situation whereby another OTC market maker has transacted with investment bank at the stated market level before the bid/offer has been made.

Competitive bidders One of two categories of bidders on Treasury securities: competitive and noncompetitive. Competitive bidders are usually financial institutions.

Competitive bidding A securities offering process in which securities firms submit competing bids to the issuer for the securities the issuer wishes to sell.

Competitive offering An offering of securities through competitive bidding.

Complementary Financing A type of financing in which different lenders agree to fund under similar yet parallel documentation and a pro rata security package.

Complete In the context of general equities, to fill an order.

Complete capital market A market in which there is a distinctive marketable security for each and every possible outcome.

Complete portfolio The entire portfolio, including risky and risk-free assets.

Completion In the context of project financing, occurs after a Completion Test, when the project's cash flows become the primary method of repayment. Prior to completion, the primary source of repayment is usually from the sponsors or from the turnkey contractor.

Completion bonding Insurance that a construction contract will be completed successfully.

Completion risk The risk that a project will not be brought into operation successfully or be able to pass its completion test.

Completion test A test of the project's ability to perform as planned and generate the expected cash flows. After the completion test, the project can move from recourse to project financing.

Completion undertaking An undertaking either (1) to complete a project so that it meets certain specified performance criteria on or before a certain specified date, or (2) to repay project debt if the completion test cannot be met.

Complex system A system that cannot be fully understood simply by understanding the function of each component part.

Complexity Theory The theory that processes with a large number of seemingly independent agents can spontaneously organize themselves into a coherent system.

Compliance department A department in all organized stock exchanges to ensure that all companies, traders, and brokerage firms comply with Securities and Exchange Commission and exchange rules and regulations.

Composite depreciation Method of depreciation where a single average depreciation rate is applied to a group of dissimilar assets with different service lives. See also Group depreciation.

Composite tape See: Tape

Composition Voluntary arrangement to restructure a firm's debt, under which payment is reduced.

Compound Annual Growth Rate Annual return calculated based on each year's previous balances where each previous balance includes both the original principal and all interest accrued from prior years. Best defined by example. If you invest \$100 today and make 5% in the first year and reinvest (\$105) and make 8% in the second year, the compound annual growth rate is 6.489%. The calculation is $\$100 \times 1.05 \times 1.08 = \113.4 which is what you end up with at the end of year two. The average return is $[\text{square root}(113.4/100) - 1] = 0.06489$ or 6.489%. Note 1. If we had three compounding periods we would take the cubic root (power of 1/3). Note 2. If we had invested at exactly 6.489 in both periods, we get $\$100 \times 1.06489 \times 1.06489 = \113.4 . Note 3. The example is directed to a return - but CAGR could be applied to earnings growth, GDP growth, etc.

Compound Annual Return See: Compound Annual Growth Rate

Compound growth rate See: Compound Annual Growth Rate

Compound interest Interest paid on previously earned interest as well as on the principal.

Compound option Option on an option.

Compounding The process of accumulating the time value of money forward in time. For example, interest earned in one period earns additional interest during each subsequent time period.

Compounding frequency The number of compounding periods in a year. For example, quarterly compounding has a compounding frequency of 4.

Compounding period The length of the time period that elapses before interest compounds (a quarter in the case of quarterly compounding).

Comprehensive due diligence investigation The investigation of a firm's business in conjunction with a securities offering to determine whether the firm's business and financial situation and its prospects are adequately disclosed in the prospectus for the offering.

Comprehensive Income Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events from non-owner sources. It includes all non-owner changes in equity (in contrast to net income which does not include some changes in equity). Financial Accounting Standards Board (FASB) issued the Statement of Financial Accounting Standards No. 130 (SFAS 130), Reporting Comprehensive Income. For fiscal years beginning after December 15, 1997, SFAS 130 requires the disclosure of both net income and a more 'comprehensive' measure of income which includes four items recorded as owners' equity under previous FASB pronouncements: adjustments to unrealized gains and losses on available-for-sale marketable securities (SFAS 115), foreign currency translation adjustments (SFAS 52), minimum required pension liability adjustments (SFAS 87), and changes in the market values of certain futures contracts qualifying as hedges (SFAS 80).

Comptroller The corporate manager responsible for the firm's accounting activities. Sometimes referred to as the controller (which means the same thing).

Comptroller of the Currency Short for. the Office of the Comptroller of the Currency (OCC). This federal agency regulates, watches over, and charters national banks (not state banks) and also is in charge of foreign banks conducting business in the U.S. The OCC is headed by the Comptroller of the Currency who is appointed by the President.

Computerized market timing system A computer system that compiles large amounts of trading data in search of patterns and trends to make buy and sell recommendations.

Concave See the discussion of negative convexity.

Concentration account A single centralized account into which funds collected at regional locations (lockboxes) are transferred.

Concentration Banks A small number of large banks a firm contracts with to periodically collect the firm's deposit balances from a group of smaller banks.

Concentration services Movement of cash from different lockbox locations into a single concentration account from which disbursements and investments are made.

Concession The per-share or per-bond compensation of a selling group for participating in a corporate underwriting.

Concession agreement An understanding between a company and the host government that specifies the rules under which the company can operate locally.

Conditional call Applies mainly to convertible securities. Circumstances under which a company can effect an earlier call, usually stated as percentage of a stock's trading price during a particular period, such as 140% of the exercise price during a 40-day trading span.

Conditional call options A protective guarantee that, in the event a high yield bond is called, the issuing corporation will replace the bond with a noncallable bond of the same life and terms as the bond that is being called.

Conditional sales contracts Similar to equipment trust certificates, except that the lender is either the equipment manufacturer or a bank or finance company to which the manufacturer has sold the conditional sales contract.

Condor Applies to derivative products. Option strategy consisting of both puts and calls at different strike prices to capitalize on a narrow range of volatility. The payoff diagram takes the shape of a bird.

Conduit bond A conduit bond is a type of municipal bond sold by a governmental entity for the purpose of making proceeds available to a private entity

usually in furtherance of a public purpose. An example would be bonds in connection with not-for-profit hospitals or affordable housing. The governmental issuer is typically not responsible in the event of default.

Conduit theory A theory that because investment companies are merely conduits for capital gains, dividends, and interest, which are in fact passed through to shareholders, the investment company should not be taxed at the corporate level.

Confidence indicator A measure of investors' faith in the economy and the securities market. A low or deteriorating level of confidence is considered by many technical analysts as a bearish sign.

Confidence letter Statement by an investment bank that it is highly confident that the financing for its client/acquirer's takeover can and will be obtained. Often used in risk arbitrage.

Confidence level In risk analysis, the degree of assurance that a specified failure rate is not exceeded.

Confirmation The written statement that follows any "trade" in the securities markets. Confirmation is issued immediately after a trade is executed. It spells out settlement date, terms, commission, etc.

Confirmed Letter of Credit A letter of credit which a bank other than the bank that opened it agrees to honor as though they had themselves issued it. This additional confirmation is in addition to the obligation of the bank which issued the letter of credit.

Confirming Bank The bank which has confirmed a letter of credit opened by another bank.

Conflict between bondholders and stockholders Bondholders and stockholders may have interests in a corporation that conflict. Sources of conflict include dividends, distortion of investment, and underinvestment. Protective covenants in bond documents work to resolve these conflicts.

Conforming loans Mortgage loans that meet the qualifications of Freddie Mac or Fannie Mae, which are bought from lenders and issued as pass-through securities.

Conglomerate A firm engaged in two or more unrelated businesses.

Conglomerate merger A merger involving two or more firms that are in unrelated businesses.

Consensus forecast The mean of all financial analysts' forecasts for a company.

Conservator An entity given legal responsibility for overseeing, protecting, or preserving the interests and affairs of another entity deemed incapable often doing so. See: Bailout, Conservatorship

Conservatorship An enentity either set up by the government or by court order that takes control of an organization that is unable to function on its own (due to legal or financial distress). See: Convservator

Consignee The party named in the bill of lading to whom delivery is promised and/or title is passed.

Consignment Transfer of goods to a seller while title to the merchandise is retained by the owner.

CONSOB See: Commissione Nazionale per le Società e la Borsa.

Consol A government bond with no maturity . Popular in Great Britain. The formula for valuing these bonds is simple. The consol payment divided by yield to maturity is the price of the bond.

Consolidated financial statement A financial statement that shows all the assets, liabilities, and operating accounts of a parent company and its subsidiaries.

Consolidated mortgage bond A bond that covers several units of property, sometimes refinancing mortgages on the properties.

Consolidated Supervised Entities (CSE) Program A Securities and Exchange Commission program created in 2004 and terminated in 2008 that provided voluntary supervision for the five largest investment bank conglomerates.

Consolidated tape Used for listed equity securities. Combined ticker tapes of the NYSE and the curb. Network A covers the NYSE-listed securities and is used to identify the originating market. Network B does the same for AMEX-listed securities and also reports on securities listed on regional stock exchanges. See: tape.

Consolidated tax return A tax return combining the reports of affiliated companies, that are at least 80% owned by a parent company.

Consolidation The combining of two or more firms to form an entirely new entity.

Consolidation loan A loan that is used to combine and finance payments on other loans.

Consortium A group of companies that cooperate and share resources in order to achieve a common objective.

Consortium banks A merchant banking subsidiary set up by several banks that may or may not be of the same nationality. Consortium banks are common in the Euromarket and are active in loan syndication.

Constant dollar Condition in which inflation or escalation is not applicable. Prices and costs are deescalated or reescalated to a single point in time.

Constant dollar accounting See General Price Level Accounting.

Constant Proportion Portfolio Insurance A trading strategy that sets a floor on a portfolio value by investing in a risky and a riskless asset such that if the risky asset falls to its lowest expected value, the portfolio value will be at the floor. The weights are altered as the asset values change. This limits the downside risk while maintaining a potential upside through the exposure to the risky asset. This is analogous to buying a put option on the portfolio. Also see Portfolio Insurance.

Constant ratio plan Maintaining a predetermined ratio between stock and fixed income investments through regular adjustments of distribution of funds into different investments. See: formula investing.

Constant yield method Allocation of annual interest on a zero-coupon security for income tax use.

Constant-dollar plan Method of purchasing securities by investing a fixed amount of money at set intervals. The investor buys more shares when the price is low and fewer shares when the price is high, thus reducing the average cost.

Constant-growth model Also called the Gordon-Shapiro model, an application of the dividend discount model that assumes (1) a fixed growth rate for future dividends, and (2) a single discount rate.

Construction loan A short-term loan to finance building costs.

Constructive receipt The date a taxpayer receives dividends or other income, for use in the determination of taxes.

Consular Invoice A document prepared by the shipper and certified in the country of origin by a consul of the country of importation. It shows the transaction details and origin of the goods.

Consumer Advisory Council (CAC) A statutory body established by Congress in 1976. The Council, with 30 members who represent a broad range of consumer and creditor interests, advises the Federal Reserve Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Consumer credit Credit a firm grants to consumers for the purchase of goods or services. Also called retail credit.

Consumer Credit Protection Act of 1968 Federal legislation establishing rules for the disclosure of the terms of a loan to protect borrowers. See: Truth in lending.

Consumer debenture An investment note issued directly to the public by a financial institution.

Consumer durables Consumer products that are expected to last three years or more, such as an automobile or a home appliance.

Consumer finance company See: Finance company

Consumer goods Goods not used in production but bought for personal or household use such as food, clothing, and entertainment.

Consumer interest Interest paid on consumer loans; e.g., interest on credit cards and retail purchases.

Consumer Price Index (CPI) The CPI, as it is called, measures the prices of consumer goods and services and is a measure of the pace of US inflation. The US Department of Labor publishes the CPI every month.

Consumption tax See: Value-added tax

Contagion Refers to an increase in correlation of asset returns that is more than expected. Sometimes also called excess correlation. For example, during the East Asian crisis that began in July 1997 when the Thai currency devalued, many emerging markets as far away as South America became increasingly correlated. Contagion is difficult to identify because you need some sort of measure of the expected correlation. It is complicated because correlations are known to change through time, for example, see Erb, Harvey and Viskanta's article in the 1994 Financial Analysts Journal. In periods of negative returns, correlations

(and volatility) are known to increase, so what might appear to be excessive correlations may not be contagion.

Contango A market condition in which futures prices are higher in the distant delivery months.

Contingency An additional amount or percentage added to any cash flow item (ie. Capex). Care is needed to ensure it is either to be spent or to remain as a cushion.

Contingency graph A plot of the net profit to a speculator in currency options under various exchange rate scenarios.

Contingency order In the context of general equities, order to buy one security, if the trader can sell another, usually given that certain price limits or conditions reach a certain level. Swap, switch order.

Contingent In context of liabilities, those liabilities that do not yet appear on the balance sheet (ie. guarantees, supports, lawsuit settlements). For support or recourse, the trigger may occur at any time in the future.

Contingent claim A claim that can be made only if one or more specified outcomes occur.

Contingent conversion trigger Used in the context of convertible instruments. The price of the stock must exceed the trigger price before the bond holder can convert to common stock at a pre-established conversion price. The trigger price exceeds the conversion price. In addition, after a certain number of years, the convertible instrument usually specifies that both the conversion price and the contingent conversion trigger will increase every year by, for example, a rate equal to LIBOR.

Contingent convertible capital instruments (Cocos) Capital instruments that act as bonds but convert to equity if the issuing bank comes under extreme stress, such as core capital ratio falling below a predetermined level.

Contingent debt A contingent debt is an unusual kind of debt that is dependent on uncertain future developments. A contingent debt is not a definitive liability as it is based on the outcome of a future event (for example, such as a court verdict).

Contingent deferred sales charge (CDSC) The formal name for the load of a back-end load fund.

Contingent immunization An arrangement in which the money manager pursues an active bond portfolio strategy until an adverse investment experience drives the then-available potential return down to the safety net level. When that point is reached, the money manager is obligated to pursue an immunization strategy to lock in the safety-net level return.

Contingent order An order which can be executed only if another event occurs; i.e. “sell Oct 45 call 7-1/4 with stock 52 or lower”.

Contingent pension liability Under ERISA, a firm is liable to its pension plan participants for up to 39% of the net worth of the firm.

Contingent Voting Power Enables preferred stockholders to vote when the company fails to satisfy the agreement between itself and the preferred stockholders.

Continuous compounding The process of accumulating the time value of money forward in time on a continuous, or instantaneous, basis. Interest is earned constantly, and at each instant, the interest that accrues immediately begins earning interest on itself.

Continuous net settlement (CNS) Method of securities clearing and settlement using a clearing house, which matches transactions to securities available, resulting in one net receive or deliver position at the end of the day.

Continuous random variable A random value that can take any fractional value within specified ranges, as contrasted with a discrete variable.

Contra broker The broker on the buy side of a sell order or the sell side of a buy order.

Contract A term of reference describing a unit of trading for a financial or commodity future. Also, the actual bilateral agreement between the buyer and seller of a transaction as defined by an exchange.

Contract for Difference Also known as CFD. This is an agreement between buyer and seller to exchange the difference between the current value of the asset and the initial value of the asset when the contract is initiated. For example, suppose the initial price of share XYZ is \$100 and a CFD for 1000 shares is exchanged. Both the buyer and seller must post some margin. If the price goes to \$105, then the buyer gets \$5,000 from the seller. If the price goes to \$95, the buyer pays the seller \$5,000. This contract avoids ownership of the stock and all the associated transactions issues (like stamp taxes). The contract also allows for leverage (typically 10:1) because the margin that must be posted is only a fraction of the value of the underlying asset. These contracts can also be on the difference of two assets' prices. They can also be on the difference of a single asset of different maturities (like a bond or futures contracts). CFDs are sometimes known as spread trading.

Contract month The month in which futures contracts may be satisfied by making or accepting a delivery.

Contractual Claim An amount that by legal agreement must be paid periodically to the buyer of a security; contractual claim may also specify the time at which the principal must be repaid and other details.

Contractual Intermediary Holder of an indirect claim through a legal agreement that specifies that the individual must make periodic, fixed payments to the intermediary in exchange for the right to receive payments from the intermediary in the future.

Contractual plan A plan in which fixed dollar amounts of mutual fund shares are purchased through periodic investments, usually featuring some sort of additional incentive for the fixed period payments.

Contramarket stock In the context of general equities, stock that tends to go against the trend of the market as a whole, such as a commodities-related stock or one in an industry out of favor with investors in a bull market.

Contrarian An investment style that leads one to buy assets that have performed poorly and sell assets that have performed well. There are two possible reasons this strategy might work. The first is a mean-reversion argument; that is, if the asset has deviated from its usual level, it should eventually return to that usual level. The second reason has to do with overreaction. Investors might have overreacted to bad news sending the asset price lower than it should be.

Contrarian investing Ignoring market trends by buying securities that the investor considers undervalued and out of favor with other investors.

Contributed capital See: Paid-in capital

Contributed surplus Total assets minus the sum of total liabilities, the par value of issued stock, and retained earnings. Contributed surplus identifies the portion of a company's income that comes from non-operational sources, or the portion of total profit other than profit earned through operations. One example of contributed surplus is the income a company receives from selling shares above their stated par value. See: Retained earnings, Capital surplus

Contribution Money placed in an individual retirement account (IRA), an employer-sponsored retirement plan, or other retirement plan for a particular tax year. Contributions may be deductible or nondeductible, depending on the type of account.

Contribution margin The difference between variable revenue and variable cost.

Control 50% of the outstanding votes plus one vote.

Control Limits The upper and lower limits on the acceptable level of cash that minimizes the sum of the opportunity cost of excessive cash and the cost of marketable security transactions.

Control parameters In a nonlinear dynamic system, the coefficient of the order parameter; the determinant of the influence of the order parameter on the total system. See: Order Parameter.

Control person See: Affiliated person

Control stock The shares owned by the controlling shareholders of a corporation. Sometimes refers to stock that has voting rights rather than stock that carries no voting rights. In a situation where all stock has voting rights, it sometimes refers to the shareholdings of one investors or a group of investors that effectively control the firm.

Control-share Acquisition Laws See Supermajority.

Controlled commodities Commodities regulated by the Commodities Exchange Act of 1936 in order to prevent fraud and manipulation in commodities futures markets.

Controlled disbursement A service that provides for a single presentation of checks each day (typically in the early part of the day).

Controlled foreign corporation (CFC) A foreign corporation whose voting stock is more than 50% owned by US stockholders, each of whom owns at least 10% of the voting power.

Controller The corporate manager responsible for the firm's accounting activities. Sometimes referred to as the comptroller (which means the same thing).

Convenience yield The extra advantage that firms derive from holding the commodity rather than a futures position.

Convention statement An annual statement filed by a life insurance company in each state where it does business in compliance with that state's regulations. The statement and supporting documents show, among other things, the assets, liabilities, and surplus of the reporting company.

Conventional mortgage A loan based on the credit of the borrower and on the collateral for the mortgage.

Conventional option An option contract arranged on the trading floor and traded regularly. The opposite of exotic option.

Conventional pass-throughs Also called private-label pass-throughs, any mortgage pass-through security not guaranteed by government agencies. Compare agency pass-throughs.

Conventional project A project with a negative initial cash flow (cash outflow), which is expected to be followed by one or more future positive cash flows (cash inflows).

Convergence The movement of the price of a futures contract toward the price of the underlying cash commodity. At the start, the contract price is usually higher because of time value. But as the contract nears expiration, and time value decreases, the futures price and the cash price converge. More generally, convergence trading involves taking two related assets that have different prices with the expectation that prices will converge (the cheaper asset is purchased and the more expensive is sold short).

Conversion In the context of securities, refers to the exchange of a convertible security such as a bond into stock. In the context of mutual funds, refers to the free exchange of mutual fund shares from one fund to another in a single family.

Conversion factors Rules set by the Chicago Board of Trade for determining the invoice price of each acceptable deliverable Treasury issue against the Treasury Bond futures contract.

Conversion feature Specification of the right to transform a particular investment to another form of investment, such as switching between mutual funds or converting preferred stock or bonds to common stock.

Conversion parity See: Market conversion price

Conversion parity price Related: Market conversion price

Conversion parity/value Applies mainly to convertible securities. Common stock price at which a convertible bond can become exchangeable for common shares of equal value; value of a convertible bond based solely on the market value of the

underlying equity. Par value plus conversion ratio. See bond value, investment value, parity.

Conversion Period The time period during which an investor can exchange a convertible security for common stock.

Conversion premium The extent by which the conversion price of a convertible security exceeds the prevailing common stock price at the time the convertible security is issued. In general usage, the conversion premium is the amount by which the convertible security trades above its converted value. For example, if a \$1,000 par bond is trading at \$1,100, it is convertible into 50 shares, and the shares are trading at \$21, the converted value is $50 \times 20.50 = \$1,025$, and the conversion premium is \$75.

Conversion price Applies mainly to convertible securities. Dollar value at which convertible bonds, debentures, or preferred stock can be converted into common stock, as specified when the convertible is issued.

Conversion ratio Applies mainly to convertible securities. Relationship that determines how many shares of common stock will be received in exchange for each convertible bond or preferred stock when a conversion takes place. It is determined at the time of issue and is expressed either as a ratio or as a conversion price from which the ratio can be figured by dividing the par value of the convertible by the conversion price.

Conversion value The value of a convertible security if it is converted immediately. Also called parity value or converted value.

Converted put See Synthetic Put.

Convertibility The ability to exchange a currency without government restrictions or controls.

Convertible A financial instrument that can be exchanged for another security or equity interest at a pre-agreed time and exchange ratio.

Convertible 100 Goldman Sachs index of the 100 convertibles of greatest institutional importance. Weighted by issue size, it measures the performance of its components against that of their underlying common stock and against other broad market indexes as well.

Convertible adjustable preferred stock (Caps) The interest rate on caps is adjustable and is pegged to Treasury security rates. They can be exchanged at par value for common stock or cash after the next period's dividend rates are revealed.

Convertible arbitrage A practice, usually of buying a convertible bond and shorting a percentage of the equivalent underlying common shares, to create a positive cash flow position (with expected returns above the riskless rate) in a static environment and benefit from capital appreciation should the convertible's premium rise. This form of investing is far from riskless and requires constant monitoring. See: Chinese hedge and setup

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Convertible bond General debt obligation of a corporation that can be exchanged for a set number of common shares of the issuing corporation at a prestated conversion price.

Convertible eurobond A eurobond that can be converted into another asset, often through exercise of attached warrants.

Convertible exchangeable preferred stock Convertible preferred stock that may be exchanged, at the issuer's option, into convertible bonds that have the same conversion features as the convertible preferred stock.

Convertible preferred stock Preferred stock that can be converted into common stock at the option of the holder. See also: participating convertible preferred stock.

Convertible price The contractually specified price per share at which a convertible security can be converted into shares of common stock.

Convertible security A security that can be converted into common stock at the option of the securityholder; includes convertible bonds and convertible preferred stock.

Convex Refers to a non-linear asset pricing relationship. See convexity.

Convexity This concept is best described with respect to a bond. Consider a graph of the bonds price (y-axis) and the bond yield (x-axis). If this graph was a straight line (downward sloping), there would be no convexity. It would be a simple linear relationship between bond price and yield (yield up, price down). However, bonds are non-linear functions of yields partly because irrespective of their how high their yield is, they cannot have negative price. Hence, the bond price is not a straight line, but a curve that is upward (like a bowl). So, if rates increase, the simple linear straightline will tell you (incorrectly) that the bond price drops too much). Essentially, the convexity is the second derivative whereas the linear relationship is the first-derivative (of bond price with respect to yield). If the asset price drops less than predicted by the linear relationship, it is known to have positive convexity (commonly referred in the bond market simply as 'convexity'). However, if the asset price drops by more than predicted by the linear relationship, it is known to have negative convexity (rather than the common usage in mathematics of concavity). Convexity is also associated with options which (by definition) have non-linear payoffs.

Cook the books To deliberately falsify the financial statements of a company. This is an illegal practice.

Cooling-off period The period of time between the filing of a preliminary prospectus with the Securities and Exchange Commission and the actual public offering of the securities.

Cooperative An organization owned by its members. Examples are agriculture cooperatives that assist farmers in selling their products more efficiently and apartment buildings owned by the residents who have full control of the property.

COP The ISO 4217 currency code for Colombian Peso.

Copenhagen Stock Exchange The only securities exchange in Denmark. It features electronic trading of stocks, bonds, futures, and options.

Core capital The capital required of a thrift institution, which must be at least 2% of assets to meet the rules of the Federal Home Loan Bank.

Core competence Primary area of expertise. Narrowly defined fields or tasks at which a company or business excels. Primary areas of specialty.

Core inflation Core inflation for the Consumer Price Index, the Producer Price Index or the Personal Consumption Expenditure Deflator removes the volatile food and energy prices. The Headline inflation includes these components.

Cornering the market Purchasing a security or commodity in such volume as to achieve control over its price. An illegal practice.

Corporate acquisition The acquisition of one firm by another firm.

Corporate bonds Debt obligations issued by corporations.

Corporate charter A legal document creating a corporation.

Corporate equivalent yield A comparison of the after-tax yield of government bonds selling at a discount and corporate bonds selling at par.

Corporate finance One of the three areas of the discipline of finance. It deals with the operation of the firm (both the investment decision and the financing decision) from the firm's point of view.

Corporate financial management The application of financial principles within a corporation to create and maintain value through decision-making and proper resource management.

Corporate financial planning Financial planning conducted by a firm that encompasses preparation of both long-and short-term financial plans.

Corporate financing committee A committee of the NASD that reviews underwriters' SEC-required documents to ensure that proposed markups are fair and in the public interest.

Corporate income fund (CIF) A unit investment trust featuring a fixed portfolio of high-grade securities and other investments, usually with monthly distribution of income.

Corporate processing float The time that elapses between receipt of payment from a customer and the deposit of the customer's check in the firm's bank account; the time required to process customer payments.

Corporate repurchase Active buying by a corporation of its own stock in the marketplace. Reasons for repurchase include putting idle cash to use, raising EPS, creating support for a stock price, increasing internal control (share repellant), or stock for ESOP or pension plans. Repurchase is subject to rules, such as that buying must be on a zero minus or a minus tick, after the opening and before 3:30 p.m.

Corporate restructuring See restructuring.

Corporate social responsibility A form of corporate self-regulation where businesses monitor and ensure that their activities are aligned with the social, economic, and environmental expectations. CSR-focused businesses proactively promote the public interest and encourage community growth and development. CSR is the deliberate inclusion of public interest into corporate decision making. CSR is wide spread in Europe and has recently gained popularity in the U.S.

Corporate tax view The argument that double (corporate and individual) taxation of equity returns makes debt a cheaper financing method.

Corporate taxable equivalent Rate of return required on a par bond to produce the same after-tax yield to maturity that the quoted premium or discount bond would generate.

Corporate Trust The function of servicing and maintaining records for debt securities issued by a corporation.

Corporation A legal entity that is separate and distinct from its owners. A corporation is allowed to own assets, incur liabilities, and sell securities, among other things.

Corpus See: Principal

Correction Reverse movement, usually downward, in the price of an individual stock, bond, commodity, or index. If prices have been rising on the market as a whole, and then fall dramatically, this is known as a correction within an upward trend. Antithesis of a technical rally. See: Dip, break.

Correlation Statistical measure of the degree to which the movements of two variables (stock/option/convertible prices or returns) are related. See: Correlation coefficient.

Correlation coefficient A standardized statistical measure of the dependence of two random variables, defined as the covariance divided by the product of the standard deviations of two variables.

Correlation Dimension An estimate of the Fractal Dimension which measures the probability that two points chosen at random will be within a certain distance of each other, and examines how this probability changes as the distance is increased. White noise will fill its space since its components are uncorrelated, and its correlation dimension is equal to whatever dimension it is placed in. A dependent system will be held together by its correlations and retain its dimension whatever embedding dimension it is placed in, as long as it is greater than its fractal dimension.

Correlation Integral The probability that two points are within a certain distance from one another. Used in the calculation of the correlation dimension.

Correspondent A financial organization that performs services (acts as an intermediary) in a market for another organization that does not have access to that market.

Correspondent bank Bank that accepts deposits of, and performs services for, another bank (called a respondent bank); in most cases, the two banks are in different cities.

Cosigner A term referring to a person, other than the principal borrower, who signs for a loan. The cosigner(s) assumes equal liability for the loan.

Cost The opposite of revenue. An expense that reflects the price of purchasing goods, services and financial instruments. A cash cost means that cash is given up today to the purchase. Also, the purchase price of an investment, which is compared to the sale proceeds to determine capital gain or loss.

Cost accounting A branch of accounting that provides information to help the management of a firm evaluate production costs and efficiency.

Cost and Freight (CFR) Seller is responsible for the payment of freight to carry goods to a named destination, as agreed with the buyer. This should be used with ocean shipments only, as the point where risk and responsibility pass from seller to buyer is the rail of the carrying vessel.

Cost basis The original price of an asset, used to determine capital gains.

Cost center Any division, department, or subsidiary of a company that has expenses but is not directly producing revenues.

Cost company arrangement Arrangement whereby the shareholders of a project receive output free of charge but agree to pay all operating and financing charges of the project.

Cost Insurance and Freight (CIF) Seller is responsible for the payment of freight to carry goods to a named destination, as agreed with the buyer. The seller is also responsible for providing cargo insurance at minimum coverage against the buyer's risk of loss or damage to the goods during transport. This term should be used with ocean shipments only, as the point where risk and responsibility pass from seller to buyer is the rail of the carrying vessel.

Cost of capital The required return for a capital budgeting project.

Cost of carry Out-of-pocket costs incurred while an investor has an investment position. Examples include interest on long positions in margin account, dividend lost on short margin positions, and incidental expenses. Related: Net financing cost.

Cost of equity The required rate of return for an investment of 100% equity.

Cost of funds Interest rate associated with borrowing money.

Cost of goods sold The total cost of buying raw materials, and paying for all the factors that go into producing finished goods.

Cost of lease financing A lease's internal rate of return.

Cost of limited partner capital The discount rate that equates the after-tax inflows with outflows for capital raised from limited partners.

Cost of living adjustments Cost of living adjustments refer to Social Security's general benefit increases based on increases in the cost of living, measured by the Consumer Price Index

Cost records The records maintained by an investor of the prices at which securities transactions are made, so that capital gains can be computed.

Cost Recovery Period The number of years it takes to fully depreciate a capital asset. This time period is based on classification of the depreciable life of an asset.

Cost-benefit ratio The net present value of an investment divided by the investment's initial cost. Also called the profitability index.

Cost-of-carry market Applies to derivative products. Futures contracts trade in a "cost-of-carry market" where the underlying commodity can be stored, insured, and converted into the future easily and inexpensively. Arbitrageurs, because of the ease of switching from the spot commodity to futures, will keep these markets in line with prevailing interest rates.

Cost-plus contract A contract in which the selling price is based on the total cost of production plus a fixed percentage or fixed amount.

Cost-push inflation Inflation caused by rising prices, usually from increased raw material or labor costs that push up the costs of production. Related: Demand-pull inflation.

Council of Economic Advisers A group of economists appointed by the President of the United States to provide economic counsel and help prepare the president's budget presentation to Congress.

Countercyclical stocks Stocks whose price tends to rise when the economy is in recession or the market is bearish, and vice versa.

Counterpart items In the balance of payments, counterpart items are analogous to unrequited transfers in the current account. They arise through the double-entry system in balance of payments accounting and refer to adjustments in

reserves owing to monetization or demonetization of gold, allocation or cancellation of SDRs, and revaluation of the various components of total reserves.

Counterparties The parties on either side of an interest rate swap or a currency, equity or commodity swap, or to an options or futures position.

Counterparty The other participant, including intermediaries, in a swap or contract.

Counterparty credit risk See Counterparty risk.

Counterparty risk The risk that the other party to an agreement will default. In an options contract, the risk to the option buyer that the option writer will not buy or sell the underlying as agreed.

Counterpurchase Exchange of goods between two parties under two distinct contracts expressed in monetary terms.

Countertrade See: barter

Country allocations The percentages of a fund's net assets distributed to securities of various countries. These percentages serve as an indicator of a fund's diversification and its vulnerability to fluctuations in foreign financial markets or currency exchange rates.

Country beta Covariance of a national economy's rate of return and the rate of return of the world economy divided by the variance of the world economy.

Country diversification Investment of a global or international portfolio's assets in securities of various countries.

Country economic risk Developments in a national economy that can affect the outcome of an international financial transaction.

Country financial risk Centers around the ability of a national economy to generate enough foreign exchange to meet payments of interest and principal on its foreign debt.

Country risk The general level of political, financial, and economic uncertainty in a country which impacts the value of the country's bonds and equities. See: Sovereign risk.

Country selection A type of active international management that measures the contribution to performance attributable to investing in the better-performing stock markets of the world.

Coupon The contractual interest obligation a bond or debenture issuer covenants to pay to its debtholders.

Coupon bond A bond featuring coupons that must be presented to the issuer in order to receive interest payments.

Coupon equivalent yield True interest cost expressed on the basis of a 365-day year.

Coupon pass Canvassing by the desk of primary dealers to determine the inventory and maturities of their Treasury securities. The desk then decides whether to buy or sell certain issues (coupons) in order to add or withdraw reserves.

Coupon payments A bond's interest payments.

Coupon rate In bonds, notes, or other fixed income securities, the stated percentage rate of interest, usually paid twice a year.

Coupon-equivalent rate See: Equivalent bond yield

Covariance A statistical measure of the degree to which random variables move together. A positive covariance implies that one variable is above (below) its mean value when the other variable is above (below) its mean value.

Covenant An agreed action to be undertaken (Positive) or not done (Negative). A breach of a covenant is a default.

Covenant defeasance Covenant defeasance allows the issuer to remove the bond's covenants by placing the remaining payments with a trustee in escrow to be paid out on schedule.

Cover The amount above UNITY of a debt service ratio.

Coverage See: Fixed-charge coverage

Coverage initiated Usually refers to the fact that analysts begin following a particular security. This usually happens when there is enough trading in it to warrant attention by the investment community.

Coverage ratios Ratios used to test the adequacy of cash flows generated through earnings for purposes of meeting debt and lease obligations, including the interest coverage ratio and the fixed-charge coverage ratio.

Covered A written option is considered to be covered if the writer also has an opposing market position on a share-for-share basis in the underlying security. That is, a short call is covered if the underlying stock is owned, and a short put is covered (for margin purposes) if the underlying stock is also short in the account. In addition, a short call is covered if the account is also long another call on the same security, with a striking price equal to or less than the striking price of the short call. A short put is covered if there is also a long put in the account with a striking price equal to or greater than the striking price of the short put.

Covered call A short call option position in which the writer owns the number of shares of the underlying stock represented by the option contracts. Covered calls generally limit the risk the writer takes because the stock does not have to be bought at the market price, if the holder of that option decides to exercise it.

Covered call writing strategy A strategy that involves writing a call option on securities that the investor owns. See: Covered or hedge option strategies.

Covered foreign currency loan A loan denominated in a currency other than that of the borrower's home country, for which repayment terms are prearranged through the use of a forward currency contract.

Covered interest arbitrage Occurs when a portfolio manager invests dollars in an instrument denominated in a foreign currency and hedges the resulting foreign exchange risk by selling the proceeds of the investment forward for dollars.

Covered Interest Rate Parity The principle that the yields from interest-bearing foreign and domestic investments should be equal when the currency market is used to predetermine the domestic currency payoff from a foreign investment. For example, suppose interest on 90 U.K. Treasury bills is 4% but only 1% in U.S. When the U.S. investor tries to take advantage of the higher yield, they translate U.S. dollars to Sterling to buy the Treasury bill and then sell 90-days forward Sterling (so they can translate the principal and interest back to U.S. dollars). Covered Interest Parity ensures that the return to this transaction is 1%. If it was different, there would be arbitrage.

Covered option Option position that is offset by an equal and opposite position in the underlying security. Antithesis of naked option.

Covered or hedge option strategies Strategies that involve a position in an option as well as a position in the underlying stock, designed so that one position will help offset any unfavorable price movement in the other, including covered call writing and protective put buying. Related: Naked strategies

Covered position Use of an option in a trading strategy in the underlying asset which is already owned.

Covered put A put option position in which the option writer also is short the corresponding stock or has deposited, in a cash account, cash or cash equivalents equal to the exercise price of the option. This limits the option writer's risk because money or stock is already set aside. In the event that the holder of the put option decides to exercise the option, the writer's risk is more limited than it would be on an uncovered or naked put option.

Covered straddle An option strategy in which one call and one put with the same strike price and expiration are written against 100 shares of the underlying stock. In actually, this is not a “covered” strategy because assignment on the short put would require purchase of stock on margin. This method is also known as a covered combination.

Covered straddle write The term used to describe the strategy in which an investor owns the underlying security and also writes a straddle on that security. This is not really a covered position.

Covered writer An investor who writes options only on stock that he or she owns, so that option premiums may be collected.

Covering Using forward currency contracts to predetermine the domestic currency amount of an expected future foreign receipt or payment. Also, the buying back (‘covering’) of a short position.

CPFF See: Commercial Paper Funding Facility.

CPI A measure of inflation. See: Consumer Price Index.

CPP See: Capital Purchase Program

CPPI See: Constant Proportion Portfolio Insurance.

CPT See: Carriage Paid To

CPV The three-character ISO 3166 country code for CAPE VERDE.

CR The two-character ISO 3166 country code for COSTA RICA.

Cram-down deal A merger in which stockholders are forced to accept undesirable terms, such as junk bonds instead of cash or equity, due to the absence of any better alternatives.

Cramdown The ability of the bankruptcy court to confirm a plan of reorganization over the objections of some classes of creditors. This often involves resetting the amount of principal that the bond holders are owed. Related is a mortgage cramdown. Here the home owner cannot pay the mortgage because of financial distress and, indeed, the mortgage could be a higher value than the house. A cramdown resets (lower) the principal amount of the mortgage. This may allow the homeowner to stay in the house (avoid foreclosure).

Crash Dramatic loss in market value. The last great crash was in 1929. Some refer to October 1987 as a crash but the market return for the entire year of 1987 was positive.

Crawling peg An automatic system for revising the exchange rate. It involves establishing a par value around which the rate can vary up to a given percent. The par value is revised regularly according to a formula determined by the authorities.

CRB See: Commodity Research Bureau.

CRC The ISO 4217 currency code for Costa Rican Colon.

CRE See: Commercial Real Estate Loans.

Credible signal A signal that provides accurate information; a signal that can distinguish among senders.

Credit Money loaned.

Credit analysis Evaluating information on companies and bond issues in order to estimate the ability of the issuer to live up to its future contractual obligations. Related: Default risk.

Credit balance The surplus in a cash account with a broker after purchases have been paid for, plus the extra cash from the sale of securities.

Credit bureau An agency that researches the credit history of consumers so that creditors can make decisions about granting of loans.

Credit card Any card, plate or coupon book that may be used repeatedly to borrow money or buy goods and services on credit.

Credit crunch A shortage of available credit for businesses and consumers. This situation could arise when lenders are reluctant to lend because of uncertainty of defaults or are willing to lend only at high interest rates thus making it difficult for businesses and consumers to secure credit. The term became popular the financial crisis that began in 2007 when a large number of homeowners either defaulted or were expected to default on mortgages, leading to great stress on the market in which these securitized loans were traded. The ensuing constriction in liquidity caused lenders to cut back on loans resulting in a credit crunch.

Credit default swap A credit derivative contract between two parties where the buyer makes periodic payments (over the maturity period of the CDS) to the seller in exchange for a commitment to a payoff if a third party defaults. Generally used as insurance against default on a credit asset but can also be used for speculation.

Credit derivative Financial instruments in which the payoffs depend on the credit risk of companies or government entities, other than the counterparties to the credit derivative transaction itself.

Credit enhancement The purchase of the financial guarantee of a large insurance company to raise funds. In the context of project financing, the issuance of a guarantee or additional collateral to reinforce the credit strength of a project financing. Also, the reduction of counterparty risk on a swap transaction through such measures as bilateral netting.

Credit history A record of how a person has borrowed and repaid debt.

Credit insurance Insurance against abnormal losses due to unpaid accounts receivable.

Credit linked security A note whose cash flow depends upon a credit event or credit measure of a referenced entity or asset such as default, credit spread, or rating change. The manager would purchase such a note to hedge against possible down grades, or loan defaults that would guarantee payment into the portfolio of the manager even if moneys on referenced assets are reduced.

Credit market Market for trading credit-related products. Most of this market involves non-exchange traded contracts, that is, over the counter trading.

Credit period The length of time for which a firm's customer is granted credit.

Credit Policy Delay The period between the sale of goods for a credit and the payment for those goods. This lag is determined largely by the selling firm's credit policy.

Credit quality A measure of a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA, and so forth. The lower the rating, the higher the probability of default.

Credit rating An evaluation of an individual's or company's ability to repay obligations or its likelihood of not defaulting See: Creditworthiness.

Credit Rating Agencies Firms that compile information on and issue public credit ratings for a large number of companies.

Credit risk The risk that an issuer of debt securities or a borrower may default on its obligations, or that the payment may not be made on a negotiable instrument. Related: Default risk.

Credit scoring A statistical technique that combines several financial characteristics to form a single score to represent a customer's creditworthiness.

Credit spread Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought. One sells a "credit spread." Antithesis of a debit spread Related: Quality spread.

Credit Standards The guidelines a company follows to determine whether a credit applicant is creditworthy.

Credit Terms The conditions under which credit will be extended to a customer. The components of credit terms are: cash discount, credit period, net period.

Credit union A not-for-profit institution that is operated as a cooperative and offers financial services such as low-interest loans to its members.

Credit Valuation Adjustments Market value of counterparty credit risk. In other words, it is the difference between the true portfolio value (that takes into account the possibility of a counterparty's default) and the risk-free portfolio value.

Credit watch A warning by a bond rating firm indicating that a company's credit rating may change after the current review is concluded.

Crediting rate The interest rate offered on an investment type insurance policy.

Creditor Lender of money.

Creditor's committee A group representing firms that have claims on a company facing bankruptcy or extreme financial difficulty.

Creditworthiness Eligibility of an individual or firm to borrow money.

Creeping expropriation The act of a government squeezing a project by taxes, regulation, access, or changes in law.

Creeping tender offer The process by which a group attempting to circumvent certain provisions of the Williams Act gradually acquires shares of a target company in the open market.

CREST CREST is CrestCo's real-time settlement system for UK and Irish shares and other corporate securities. CrestCo has provided settlement systems for government bonds and money market instruments in the UK since 1990.

CRI The three-character ISO 3166 country code for COSTA RICA.

Crisp Sets The fuzzy set term for traditional set theory. That is, an object either belongs to a set, or does not.

Critical Levels Values of control parameters where the nature of a nonlinear dynamic system changes. The system can bifurcate, or make the transition from stable to turbulent behavior. An example is the straw that breaks the camel's back.

Cross Securities transaction in which the same broker acts as agent for both sides of the trade; a legal practice only if the broker first offers the securities publicly at a price higher than the bid.

Cross hedging Applies to derivative products. Hedging with a futures contract that is different from the underlying being hedged. Use of a hedging instrument different from the security being hedged. Hedging instruments are usually selected to have the highest price correlation to the underlying.

Cross rates The exchange rate between two currencies expressed as the ratio of two foreign exchange rates that are both expressed in terms of a third currency. Foreign exchange rate between two currencies other than the US dollar, the currency in which most exchanges are usually quoted.

Cross-border bonds Bonds that firms issue in the international market.

Cross-border factoring Concluding a transaction by a network of factors across borders. The exporter's factor can contact correspondent factors in other countries to handle the collection of accounts receivable.

Cross-border risk Describes the volatility of returns on international investments caused by events associated with a particular country as opposed to events associated solely with a particular economic or financial agent.

Cross-Collateral An agreement among project participants to pool collateral, to allow recourse to each other's collateral.

Cross-default A provision under which default on one debt obligation triggers default on another debt obligation.

Cross-holdings The holding by one corporation of shares in another firm. One needs to allow for cross-holdings when aggregating capitalizations of firms. Ignoring cross-holdings leads to double-counting.

Cross-sectional analysis Assessment of relationships among a cross-section of firms, countries, or some other variable at one particular time.

Cross-sectional approach A statistical methodology applied to a set of firms at a particular time.

Cross-Sectional Ratio Analysis A method of analysis that compares a firm's ratios with some chosen industry benchmark. The benchmark usually chosen is the average ratio value for all firms in an industry for the time period under study.

Cross-share holdings Often used in risk arbitrage. Corporations' or governments' equity share ownership in another corporation's shares.

Crossed market In the context of general equities, happens when the inside market consists of a highest bid price that is higher than the lowest offer price. See: Overlap the market.

Crossed trade The prohibited practice of offsetting buy and sell orders without recording the trade on the exchange, thus not allowing other traders to take advantage of a more favorable price.

Crossover rate The return at which two alternative projects have the same net present value.

Crowd trading Used for listed equity securities. Group of exchange members with a defined area of function tending to congregate around a trading post pending execution of orders. Includes specialists, floor traders, odd-lot dealers, and other brokers as well as smaller groups with specialized functions. See: Priority.

Crowding out Heavy federal borrowing that drives interest rates up and prevents businesses and consumers from borrowing when they would like to.

Crown jewel A particularly profitable or otherwise particularly valuable corporate unit or asset of a firm. Often used in risk arbitrage. The most desirable entities within a diversified corporation as measured by asset value, earning power, and business prospects; in takeover attempts, these entities typically are the main objective of the acquirer and may be sold by a takeover target to make the rest of the company less attractive. See: Scorched earth policy.

Crown Law A law derived from English law (ie. England, Ireland, Canada, PNG, Australia, Hong Kong, Singapore, India, Malaysia).

CSR See: Corporate social responsibility

CSSF See: Commission de Surveillance du Secteur Financier.

CTA See: Cumulative Translation Adjustment. Also refers to Commodity Trading Advisor.

CTD See: Cheapest to deliver issue

CTP See: Certified Treasury Professional.

CU The two-character ISO 3166 country code for CUBA.

CUB The three-character ISO 3166 country code for CUBA.

Cum dividend With dividend; said of a stock whose buyer is eligible to receive a declared dividend. Stocks are usually “cum dividend” for trades made on or before the third trading day preceding the record date, when the register of eligible holders is closed for that dividend period. Antithesis of ex-dividend.

Cum rights With rights.

Cumulative abnormal return (CAR) Sum of the differences between the expected return on a stock (systematic risk multiplied by the realized market return) and the actual return often used to evaluate the impact of news on a stock price.

Cumulative Auction Market Preferred Stocks (CAMPS) Stands for Cumulative Auction Market Preferred Stocks, Oppenheimer & Company’s Dutch Auction preferred stock product.

Cumulative dividend feature A requirement that any missed preferred or preference stock dividends be paid in full before any dividend payment on common shares is made.

Cumulative preferred stock Preferred stock whose dividends accrue, should the issuer not make timely dividend payments. Related: Non-cumulative preferred stock.

Cumulative probability distribution A function that shows the probability that the random variable will attain a value less than or equal to each value that the random variable can take on.

Cumulative total return The actual performance of a fund over a particular period.

Cumulative Translation Adjustment (CTA) account An entry in a translated balance sheet in which gains and/or losses from translation have been accumulated over a period of years. The C.T.A. account is required under the FASB No. 52 rule.

Cumulative voting A system of voting for directors of a corporation in which shareholder's total number of votes is equal to the number of shares held times the number of candidates.

CUP The ISO 4217 currency code for Cuban Peso.

Cure To make good a default.

Currency Money.

Currency appreciation An increase in the value of one currency relative to another currency. Appreciation occurs when, because of a change in exchange rates, a unit of one currency buys more units of another currency.

Currency arbitrage Taking advantage of divergences in exchange rates in different money markets by buying a currency in one market and selling it in another market.

Currency basket The value of a portfolio of specific amounts of individual currencies, used as the basis for setting the market value of another currency. It is also referred to as a currency cocktail.

Currency Board Entity charged with maintaining the value of a local currency with respect to some other specified currency.

Currency call option Contract that gives the holder the right to purchase a specific currency at a specified price (exchange rate) within a specific period of time.

Currency Carry Trade A carry trade where you borrow and pay interest in order to buy something else that has higher interest. For currencies, it might be that you borrow in Yen (where the interest rate might be low) and use the proceeds to purchase U.S. dollar long term debt. While the trade might produce a positive return, it is risky in two dimensions. First, U.S. rates could increase diminishing the value of the bond you purchased. Second, the exchange rate could take an

unfavorable move effectively increasing your borrowing costs. Related: Carry Trade.

Currency depreciation A decline in the value of one currency relative to another currency. Depreciation occurs when, because of a change in exchange rates, a unit of one currency buys fewer units of another currency.

Currency devaluation A deliberate downward adjustment in the official exchange rates established, or pegged, by a government against a specified standard, such as another currency or gold.

Currency diversification Using more than one currency as an investing or financing strategy. Exposure to a diversified currency portfolio typically entails less exchange rate risk than if all the portfolio exposure were in a single foreign currency.

Currency Exchange Risk Uncertainty about the rate at which revenues or costs denominated in one currency can be converted into another currency.

Currency future A financial future contract for the delivery of a specified foreign currency.

Currency futures contract Contract specifying a standard volume of a particular currency to be exchanged on a specific settlement date.

Currency hedge Applies mainly to international equities. Hedging technique to guard against foreign exchange fluctuations (i.e., short Euro 100 mm when holding a long position of Euro 100 mm in stocks).

Currency in circulation Paper money, coins, and demand deposits that constitute all the money circulating in the economy.

Currency no longer issued Old and new series gold and silver certificates, Federal Reserve notes, national bank notes, and 1890 Series Treasury notes.

Currency option An option to buy or sell a foreign currency.

Currency overvaluation Applies mainly to international equities: (1) consideration that a currency is overvalued if private demand for the currency at the going exchange rate is less than total private supply (i.e., central banks are buying up the difference, supporting the value of the currency through foreign exchange intervention); (2) currency value exceeding purchasing power parity.

Currency put option Contract that gives the holder the right to sell a particular currency at a specified price (exchange rate) within a specified period of time.

Currency revaluation A deliberate upward adjustment in the official exchange rate established, or pegged, by government against a specified standard, such as another currency or gold.

Currency risk Related: Exchange rate risk

Currency risk sharing An agreement by the parties to a transaction to share the currency risk associated with the transaction. The arrangement involves a customized hedge contract embedded in the underlying transaction.

Currency selection Asset allocation in which the investor chooses among investments denominated in different currencies.

Currency swap An agreement to swap a series of specified payment obligations denominated in one currency for a series of specified payment obligations denominated in a different currency. Usually fixed for fixed.

Current account Net flow of goods, services, and unilateral transactions (gifts) between countries.

Current account Net flow of goods, services, and unilateral transactions (gifts) between countries.

Current assets Value of cash, accounts receivable, inventories, marketable securities and other assets that could be converted to cash in less than 1 year.

Current coupon A bond selling at or close to par, that is, a bond with a coupon close to the yields currently offered on new bonds of a similar maturity and credit risk.

Current Coupon Bond Bonds on which the coupon is set approximately equal to the bonds' yield to maturity at the time of their issuance.

Current dollar Refers to the use of actual or real prices and costs. Escalation or inflation effects are included.

Current income Regular series of cash flows that is routinely received from investments in the form of dividends, interest, and other income sources.

Current income bonds Bonds paying semiannual interest to holders. Interest is not included in the accrued discount.

Current issue In Treasury securities, the most recently auctioned issue. Trading is more active in current issues than in off-the-run issues. Also known as on-the-run issue.

Current liabilities Amount owed for salaries, interest, accounts payable and other debts due within 1 year.

Current market value The value of a client's portfolio at today's market price, as listed in a brokerage statement.

Current maturity Current time to maturity on an outstanding debt instrument.

Current order In the context of periodic repayment schedules, the next periodic principal repayment.

Current production rate The highest interest rate permissible on current Government National Mortgage Association, mortgage-backed securities.

Current rate method The translation of all foreign currency balance sheet and income statement items at the current exchange rate.

Current ratio Indicator of short-term debt-paying ability. Determined by dividing current assets by current liabilities. The higher the ratio, the more liquid the company.

Current yield For bonds or notes, the coupon rate divided by the market price of the bond.

Current-coupon issues Related: Benchmark issues

Current/noncurrent method The translation of all of a foreign subsidiary's current assets and liabilities into home currency at the current exchange rate while noncurrent assets and liabilities are translated at the historical exchange rate; that is, the rate in effect at the time the asset was acquired or the liability incurred.

Cushion In the context of project financing, the extra amount of net cash flow remaining after expected debt service.

Cushion bonds High-coupon bonds trading at a premium that tend to fall in price much less than comparable bonds when interest rates rise (hence the cushion effect), because of their high coupons.

Cushion theory The theory that a stock with many short positions taken in it will rise, because these positions must be covered by the stock.

CUSIP See: Committee on Uniform Securities Identification Procedures

CUSIP number Unique number given to a security to distinguish it from other stocks and registered bonds. See: Committee on Uniform Securities Identification Procedures.

Custodial fees Fees charged by an institution that holds securities in safekeeping for an investor.

Custodian Either (1) a bank, agent, trust company, or other organization responsible for safeguarding financial assets, or (2) the individual who oversees the mutual fund assets of a minor's custodial account.

Custodian bank Applies mainly to international equities. Bank or other financial institution that keeps custody of stock certificates and other assets of a mutual fund, individual, or corporate client. See: Depository Trust Company (DTC)

Customary payout ratios A range of payout ratios that is typical according to an analysis of comparable firms.

Customer's loan consent Agreement signed by a margin customer that allows a broker to borrow margin securities up to the level of the customer's debit balance to help cover other customers' short positions.

Customers' net debit balance The total amount of credit given by NYSE member firms to finance customers purchasing securities.

Customized benchmarks A benchmark that is designed to meet a client's requirements and long-term objectives.

Customs Broker An individual or firm licensed by customs authorities to enter and clear imported goods through customs. The broker represents the importer in dealings with the customs authorities.

Customs union An agreement by two or more countries to erect a common external tariff and to abolish restrictions on trade among members.

Cut Off Date The date prescribed in the unclaimed property law in most states for determining the items of property that must be turned over to the state. See: Escheat.

Cutoff point The lowest rate of return acceptable on investments.

CV The two-character ISO 3166 country code for CAPE VERDE.

CVA See: Credit Valuation Adjustments

CVE The ISO 4217 currency code for Cape Verde Islands Escudo.

CX The two-character ISO 3166 country code for CHRISTMAS ISLAND.

CXR The three-character ISO 3166 country code for CHRISTMAS ISLAND.

CY The two-character ISO 3166 country code for CYPRUS.

Cycles A full orbital period.

Cyclical stock Stock that tends to rise quickly when the economy turns up and fall quickly when the economy turns down. Examples are housing, automobiles, and paper.

Cyclical unemployment Unemployment caused by a low level of aggregate demand associated with recession in the business cycle.

CYM The three-character ISO 3166 country code for CAYMAN ISLANDS.

CYP (1) The ISO 4217 currency code for Cyprus Pound.

CYP (2) The three-character ISO 3166 country code for CYPRUS.

CZ The two-character ISO 3166 country code for CZECH REPUBLIC.

CZE The three-character ISO 3166 country code for CZECH REPUBLIC.

CZK The ISO 4217 currency code for Czech Republic Koruna.

D Fifth letter of a NASDAQ stock symbol specifying that it is a new issue, such as the result of a reverse split.

D/A See: Documents Against Acceptance

D/P Abbreviation for Documents Against Payment.

Daily average revenue trades (DARTs) A metric in the brokerage industry that measures the number of trades per day that the broker generates revenue through commissions or fees.

Daily price limit The level within many commodity, futures, and options markets are allowed to rise or fall in a day. Exchanges usually impose a daily price limit on each contract.

Daisy chain Manipulation of the market by traders to create the illusion of active volume to attract investors.

Danish FSA See: Finanstilsynet.

DARTs See: Daily average revenue trades

Data room A secure (physical or online) location containing confidential documents to provide investment banks and potential acquirers with necessary information for due diligence.

Date of issue Used in the context of bonds to refer to the date on which a bond is issued and when interest begins to accrue to the bondholder. Used in the context of stocks to refer to the date trading begins on a new stock issued to the public.

Date of payment Date dividend checks are mailed.

Date of record Date on which holders of record in a firm's stock ledger are designated as the recipients of either dividends or stock rights.

Dated date The date one uses to calculate accrued interest on various debt instruments, specifically bonds.

Dates convention Treating cash flows as being received on exact dates-date 0, date 1, and so forth-as opposed to the end-of-year convention.

Dating Credit extension beyond normal terms of a credit supplier.

Dawn raid A term of British origin used to describe the purchase of all available shares of a target company at the market's open by a raider. A dawn raid is a surprise technique that allows the raider to gain a substantial share of the target company before the target company knows what is happening.

Day around order A day order that supersedes (cancels and replaces) the previous order by altering its size or price limit.

Day count convention A convention for determining the number of days between two dates and the number of days in a year, which are used for calculating interest accrued on bonds and other interest rate dependent securities. Also see actual/actual, actual/360, 30/360.

Day loan A loan from a bank to a broker prior to the delivery of securities. Upon the delivery of the securities, a day loan becomes a regular broker call loan for which securities serve as collateral.

Day of deposit to day of withdrawal account A bank account that pays interest according to the number of days that the money is actually on deposit.

Day order In the context of general equities, request from a customer to either buy or sell stock, that, if not canceled or executed the day it is placed, expires automatically. All orders are day orders unless otherwise specified. Traders often make calls before the opening to check for renewals.

Day trade Also known as a “daylight trade.” The purchase and sale or the short sale and cover of the same security in a margin account on the same day.

Day trading Establishing and liquidating the same position or positions within one day’s trading.

Days in receivables Average collection period.

Days’ sales in inventory ratio The average number of days’ worth of sales that is held in inventory.

Days’ sales outstanding Average collection period.

DCF See: Discounted Cash Flows

DDM (1) The ISO 4217 currency code for former East Germany Ostmark.

DDM (2) See: Discounted Dividend Model

DE The two-character ISO 3166 country code for GERMANY.

De facto Existing in actual fact although not by official recognition.

Dead cat bounce A small upmove in a bear market.

Deal flow In investment banking, the rate at which new deals are referred to a brokerage firm.

Deal stock Stock subject to merger or acquisition, either publicly announced or rumored.

Dealer An entity that stands ready and willing to buy a security for its own account (at its bid price) or sell from its own account (at its ask price). Individual or firm acting as a principal in a securities transaction. Principals are market makers in securities, and thus trade for their own account and risk. Antithesis of broker. See: Agency.

Dealer loan Overnight, collateralized loan from a money market bank made to a dealer financing his position by borrowing.

Dealer market Where traders specializing in particular commodities buy and sell assets for their own accounts.

Dealer options Over-the-counter options, such as those offered by government and mortgage-backed securities dealers.

Dealer's spread See: markdown; underwriting spread.

Dealing desk (Trading desk) Personnel at an international bank who trade spot and forward foreign exchange.

Dear money British term for tight money.

Death cross A bearish signal generated when the 50-day(short-term) moving average crosses below the 200-day(long-term) moving average. See also golden cross.

Death play A stock strategy that buys stock on the belief that a key executive will die, the company will be dissolved, and shares will command a higher price at their private market value.

Death Spiral Convertible Used by companies that are in such bad shape, that there is no other way to get financing. This instrument is similar to a convertible bond, but convertible at a discount to the share price at issuance and for a fixed dollar amount rather than a specific number of shares. The further the stock falls, the more shares you get. Popular in the mid to late 1990s. Also known as toxic convertibles or floorless convertibles.

Death Valley Curve In venture capital, refers to the period before a new company starts generating revenues, when it is difficult for the company to raise money.

Death-backed bonds Bonds backed by loans of a policyholder against a life insurance policy. The policyholder will repay the loans while alive or with the benefits from the insurance policy upon death.

Debenture Any debt obligation backed strictly by the borrower's integrity, e.g. an unsecured bond. A debenture is documented in an indenture.

Debenture bond An unsecured bond whose holder has the claim of a general creditor on all assets of the issuer not pledged specifically to secure other debt. Compare subordinated debenture bond and collateral trust bonds.

Debenture stock A type of stock that makes fixed payments at scheduled intervals of time. Debenture stock differs from a debenture in that it has the status of equity, not debt, in liquidation.

Debit An expense, or money paid out from an account. A debit transaction is one which the net cost is greater than the net sale proceeds. See also Credit.

Debit balance The amount that is owed to a broker by a margin customer for loans the customer uses to buy securities.

Debit card A card that resembles a credit card but which debits a transaction account (checking account) with the transfers occurring contemporaneously with the customer's purchases. A debit card may be machine readable, allowing for the activation of an automated teller machine or other automated payments equipment.

Debit spread Applies to derivative products. Difference in the value of two options, when the value of the option bought exceeds the value of the one sold. One buys a "debit spread." Antithesis of a credit spread.

Debt Money borrowed.

Debt bomb A default on debt and obligations by a major financial-institution that disrupts the stability of the economic system.

Debt capacity Ability to borrow. The amount a firm can borrow up to the point where the firm value no longer increases.

Debt ceiling See: Debt limit

Debt displacement The amount of borrowing that leasing displaces. Firms that do a lot of leasing are curtailed in their debt capacity.

Debt instrument An asset requiring fixed dollar payments, such as a government or corporate bond.

Debt leverage Amplification of the return earned on equity when an investment or firm is financed partially with borrowed money.

Debt limit The maximum amount that a municipality can borrow.

Debt limitation A bond covenant that restricts the firm's ability to incur additional indebtedness in some way.

Debt market The market for trading debt instruments.

Debt outstanding subject to limitation Obligations incurred by the Treasury subject to the statutory limit set by Congress. Until World War 1, a specific amount of debt was authorized for each separate security issue. Beginning with the Second Liberty Loan Act of 1917, the nature of the limitation was modified until, in 1941, it developed into an overall limit on the outstanding Federal debt. The statutory limit may change from year to year.

Debt ratio Total debt divided by total assets.

Debt relief Reducing the principal and/or interest payments on Less developed country loans.

Debt restructuring Modification of the terms of a loan to provide relief to a debtor who could otherwise default on payments. The restructuring may involve extending the period of repayment, reducing the total amount owed, or exchanging a portion of the debt for equity in the debtor company. Also see extension, composition, debt-for-equity swap.

Debt retirement The complete repayment of debt. See: Sinking fund.

Debt securities IOUs created through loan-type transactions-commercial paper, bank CDs, bills, bonds, and other instruments.

Debt service Interest payment plus repayments of principal to creditors (retirement of debt).

Debt service coverage The ratio of cash flow available to the borrower to the annual interest and principal payments on a loan or other debt.

Debt service parity approach Payment alternatives that provide the firm with the exact same schedule of after-tax debt payments (including both interest and principal).

Debt swap A set of transactions in which a firm buys a country's dollar bank debt at a discount and swaps this debt with the central bank for local currency that it can use to acquire local equity. Also called a debt-equity swap.

Debt-for-equity swap A swap agreement to exchange equity/returns for debt returns or the converse over a prearranged length of time.

Debt-service coverage ratio Earnings before interest and income taxes, divided by interest expense plus the quantity of principal repayments divided by one minus the tax rate.

Debt/EBITDA ratio This ratio typically is used to gain a sense for how many periods a company would have to operate at the same level of earnings in order to pay off its current level of debt. Although useful, this metric does not include the effects of excess cash or capital expenditures on a company's finances, and so should be used with caution when evaluating a company, as not all of the risk is accounted for within the ratio. See: Debt, Earnings before interest, taxes, depreciation, and amortization (EBITDA), Payback period

Debt/equity ratio Indicator of financial leverage. Compares assets provided by creditors to assets provided by shareholders. Determined by dividing long-term debt by common stockholder equity.

Debtholder See: Bondholder

Debtor Borrower of money.

Debtor in possession A firm that continues to operate under the Chapter 11 bankruptcy process.

Debtor-in-possession financing New debt obtained by a firm during the Chapter 11 bankruptcy process, Federal Bankruptcy Rule 4001 (c)(1). This financing is unique because it is secured, that is, it has priority over existing debt, equity and other claims.

Decile rank Performance over time, rated on a scale of 1-10. 1 indicates that a mutual fund's return is in the top 10% of funds being compared; while 3 means the return is in the top 30%.

Decillion A unit of quantity equal to 10³³ (1 followed by 33 zeros).

Decimal trading The quotation and trading of stock or bond prices in decimals, as opposed to the quotation of prices in fractions.

Decimalization The quotation and trading of stock or bond prices in decimals, as opposed to fractions such as eighths.

Decision Break-Point Analysis A type of sensitivity analysis that indicates the value at which a key variable will result in a negative NPV for an investment project.

Decision tree Schematic way of representing alternative sequential decisions and the possible outcomes from these decisions.

Declaration The Board of Directors motion to authorize dividend payments.

Declaration date The date on which a firm's directors meet and announce the date and amount of the next dividend.

Dedicated capital Total par value (number of shares issued, multiplied by the par value of each share). Also called dedicated value.

Dedicating a portfolio Related: Cash flow matching

Dedication strategy Refers to multiperiod cash-flow matching.

Deductible An amount or period which must be deducted before an insurance payout or settlement is calculated.

Deductible contribution Amount paid into an IRA, an employer-sponsored retirement plan, or other type of retirement plan for a particular tax year that is a deduction from income for tax purposes.

Deduction An expense that is allowable as a reduction of gross taxable income by the IRS e.g., charity donations.

Deductive reasoning Using known facts to draw a conclusion about a specific situation.

Deed of trust See: Indenture

Deep in the money A call option with an exercise price substantially below the underlying stock's market price. Also put option with an exercise price substantially above the underlying stock's market price. Often substantially below is defined as more than one strike price below (for calls)/above (for puts) the current value of the underlying security.

Deep out of the money A call option with an exercise price substantially above the market price. Also put option with an exercise price substantially below the underlying stock's market price. Often substantially below is defined as more than one strike price below (for calls)/above (for puts) the current value of the underlying security.

Deep-discount bond A bond issued with a very low coupon or no coupon that sells at a price far below par value. A bond that has no coupon is called a zero-coupon bond.

Default The failure to make timely payment of interest or principal on a debt security or to otherwise comply with the provisions of a bond indenture. A breach of a covenant. In context of project financing, a technical default signals a project parameter is outside defined or agreed limits or a legal matter is not yet resolved.

Default interest A higher interest rate payable after default.

Default premium A differential in promised yield that compensates the investor for the risk inherent in purchasing a corporate bond that entails some risk of default. Often the premium is measured as the yield over and above a government bond yield of similar coupon and maturity.

Default risk The risk that an issuer of a bond may be unable to make timely principal and interest payments. Also referred to as credit risk (as gauged by commercial rating companies).

Defeasance The setting aside by a borrower of cash or bonds sufficient to service the borrower's debt. Both the borrower's debt and the offsetting cash or bonds are removed from the balance sheet. In securities trading, where a clearing house becomes counterparty to each side of a trade, after the trade has been agreed. This is necessary to facilitate netting, and reduce counterparty risk

exposure. The term has become popular recently, because of the growth of central counterparty clearing services in European cash equities markets.

Defensive securities Low-risk stocks or bonds that will provide a predictable and safe return on an investor's money.

Deferred account A type of account that delays taxes on that account until some later date. An example is an IRA account.

Deferred annuities Tax-advantaged life insurance products. Deferred annuities offer deferral of taxes with the option of withdrawing one's funds in the form of a life annuity.

Deferred call A provision that prohibits the company from calling the bond before a certain date. During this period the bond is said to be call protected.

Deferred charge An expenditure treated as an asset that carries forward until it becomes pertinent to the business at hand, e.g., the underwriting fees on a corporate bond issue, which the corporation capitalizes as a deferred charge and then amortizes over the life of the bond issue.

Deferred compensation An amount that has been earned but is not actually paid until a later date, typically through a payment plan, pension, or stock option plan.

Deferred equity A common term for convertible bonds, which recognizes their equity component and the expectation that the bond will ultimately be converted into shares of common stock.

Deferred futures The most distant months of a futures contract.

Deferred interest bond A bond that pays interest at a later date, usually in one lump sum, effectively reinvesting interest earned over the life of the bond. See: Zero coupon bond.

Deferred nominal life annuity A monthly fixed-dollar payment beginning at retirement age. It is nominal because the payment is fixed in a dollar amount at any particular time, up to and including retirement.

Deferred payment annuity An annuity that stipulates payments be made to the annuitant at a later date, such as when the annuitant reaches a certain age.

Deferred strike option An option where the strike price can be specified as the underlying asset price any time before maturity. After the strike is specified, the option becomes a vanilla option until maturity of the option.

Deferred tax expense A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid.

Deficiency The amount by which a project's cash flow is not adequate to meet debt service.

Deficiency Agreement An agreement that calls on the sponsor or another party to provide the shortfall when cash flow, working capital, or revenues are below agreed levels or are insufficient to meet debt service.

Deficiency letter Notification from the SEC to a prospective issuer of securities that revisions or additions need to be made to the preliminary prospectus.

Deficit An excess of liabilities over assets, of losses over profits, or of expenditure over income.

Deficit spending When government spending overwhelms government revenue resulting in government borrowing.

Defined asset fund A unit investment trust consisting of a fixed portfolio of securities, including blue chips, REITs, or high-yielding stocks on a major exchange such as the NYSE or FTSE.

Defined benefit plan A pension plan obliging the sponsor to make specified dollar payments to qualifying employees at retirement. The pension obligations are effectively the debt obligation of the plan sponsor. Related: Defined contribution plan

Defined contribution plan A pension plan whose sponsor is responsible only for making specified contributions into the plan on behalf of qualifying participants. Related: Defined benefit plan

Defined event The definition applicable to the trigger of a loss in an insurance policy, particularly political risk insurance.

Deflation Decline in the prices of goods and services. Antithesis of inflation.

Deflator A statistical factor used to convert current dollar purchasing power into inflation-adjusted purchasing power. Enables the comparison of prices while accounting for inflation in two different time periods.

Delayed issuance pool Refers to mortgage backed securities (MBS) that at the time of issuance were collateralized by seasoned loans originated prior to the MBS pool issue date.

Delayed opening Postponement of the start of trading in a stock until correction of a gross imbalance in buy and sell orders. Such an imbalance is likely to follow on the heels of a significant event such as a takeover offer. See: Suspended trading.

Delayed settlement/delivery In the context of general equities, transaction in which a contract is settled in excess of five full business days. Seller's option. See: Dividend play, settlement.

Delinquency Failure to make a payment on a debt or obligation by the specified due date.

Delisting Removal of a company's security from listing on an exchange because the firm has not abided by specific regulations.

Deliver The sale of a futures or forward contract may require the seller to deliver the commodity during the delivery month, if the short position is not offset prior to that time.

Deliverable bills The Treasury bills that fulfill a set of guidelines set forth by the exchange on which the bills are traded.

Deliverable instrument The asset in a forward contract that will be delivered in the future at an agreed-upon price.

Delivered at Frontier (DAF) Seller must supply the goods at his or her own risk and expense delivered to a named place (usually a border location) by a specified time. The buyer is responsible for the importation. This is normally used with rail, truck, or multi-modal shipments.

Delivered Duty Paid (DDP) Seller must supply the goods at his or her own risk and expense to a named place in the country of importation. The seller is responsible for importation, payment of duty, and on carriage to the location agreed upon with the buyer.

Delivered Duty Unpaid (DDU) Seller fulfills the contract obligations when the goods have arrived at a named place in the importing country. The seller bears all the costs and risk except for import duties and other customs clearance costs.

Delivered Ex Quay (DEQ) Seller fulfills the contract obligations to deliver when the goods are made available to the buyer at the wharf of the destination port. A DEQ can further specify “Duty Paid” or “Duty Unpaid.” If “Duty Paid” is specified, the seller is responsible for all risks and costs, including duty, to the wharf of the destination port. If “Duty Unpaid” is specified, the buyer is to clear the goods and pay duty. Since unloading costs are included in the ocean freight charged by most ship lines. This is most often used for charter shipments.

Delivered Ex Ship (DES) Seller fulfills the contract obligations when the goods have been made available to the buyer on board a ship at the named port of destination. The seller must bear all costs and risks associated in bringing the goods to the named port of destination. The buyer is responsible for all costs necessary to unload the goods and clear them through customs. Unloading

costs are included the ocean freight charged by most ship lines. The DES is most often used for charter shipments.

Delivery The tender and receipt of an actual commodity or financial instrument in settlement of a futures contract.

Delivery date Date by which a seller must fulfill the obligations of a forward or futures contract.

Delivery notice The written notice given by the seller of its intention to make delivery against an open, short futures position on a particular date. Related: Notice day.

Delivery options The options available to the seller of an interest rate futures contract, including the quality option, the timing option, and the wild card option. Delivery options mean that the buyer is uncertain of which Treasury bond will be delivered or when it will be delivered.

Delivery points Locations designated by futures exchanges at which the financial instrument or commodity covered by a futures contract may be delivered in fulfillment of such a contract.

Delivery price The price fixed by the clearinghouse at which deliveries on futures are invoiced; also the price at which the futures contract is settled when deliveries are made.

Delivery versus payment A in which the buyer's payment for securities is due at transaction the time of delivery (usually to a bank acting as agent for the buyer) upon receipt of the securities. The payment may be made by bank wire, check, or direct credit to an account.

Delphi technique Collection of independent opinions without group discussion by the analysts providing the opinions; used for various sorts of evaluations (such as country risk assessment).

Delta The ratio of the change in price of an option to the change in price of the underlying asset. Also called the hedge ratio. Applies to derivative products.

For a call option on a stock, a delta of 0.50 means that for every \$1.00 that the stock goes up, the option price rises by \$0.50. As options near expiration, in-the-money call option contracts approach a delta of 1.0, while in-the-money put options approach a delta of -1. See: hedge ratio, neutral hedge. Call deltas range from 0.00 to +1.00; put deltas range from 0.00 to -1.00. If the call delta is 0.69, the put delta is -0.31 (call delta minus 1 equals put delta; $0.69 - 1 = -0.31$).

Delta cross-hedge A futures hedge that has both maturity and currency mismatches with an underlying exposure.

Delta hedge A dynamic hedging strategy using options that calls for constant adjustment of the number of options used, as a function of the delta of the option.

Delta neutral Describes value of a portfolio not affected by changes in the value of the asset on which the options are written.

Delta Spread A ratio spread that is established as a neutral position by utilizing the deltas of the options involved. The neutral ratio is determined by dividing the delta of the purchased option by the delta of the written option. See also Ratio Spread and Delta.

DEM The ISO 4217 currency code for Deutschemark.

Demand deposits Checking accounts that pay no interest and from which funds can be withdrawn upon demand.

Demand line of credit A bank line of credit that enables a customer to borrow on a daily or on-demand basis.

Demand loan A loan which can be called by the lender at any time and carries no set maturity date.

Demand master notes Short-term securities that are repayable immediately upon the holder's demand.

Demand shock An event that affects the demand for goods and services in an economy.

Demand-pull inflation A theory of inflation or price increases resulting from so-called excess demand. Related: Cost-push inflation.

Demonetization Government withdrawal of a form of currency from circulation e.g. a particular note, coinage, or precious metal.

Demutualization Refers to the process that has come about as the result of many not-for-profit exchanges (mutual companies owned by groups of members) converting to for-profit and then shareholder companies in order to go public.

Denomination Corresponds to the face value of currency units, coins, and securities. An international transaction may be denominated in US dollars, for example, or in British pounds.

Dependent Acceptance of a capital budgeting project contingent on the acceptance of another project.

Dependent variable Term used in regression analysis to represent the element or condition that is dependent on values of one or more other independent variables.

Deposit insurance See: FDIC: Federal Deposit Insurance Corporation

Depository An agent appointed for a Tender or Exchange Offer who accepts certificates from shareholders, processes them and assures that the appropriate cash or new securities are properly remitted to the tendering party.

Depository institution A financial institution that obtains its funds mainly through deposits from the public. This includes commercial banks, savings and loan associations, savings banks and credit unions.

Depository Institutions Deregulation and Monetary Control Act The 1980 federal legislation that ended the regulation of the banking industry.

Depository preferred Device enabling an issuer to circumvent an arbitrary corporate limit on the number of preferred shares issuable. Applies mainly to convertible securities.

Depository receipt See: ADR American Depository Receipt

Depository transfer check (DTC) Check made out directly by a local bank to a particular firm or person.

Depository Trust and Clearing Corporation (DTCC) The Depository Trust and Clearing Corporation (DTCC), through its subsidiaries, provides post-trade clearance, settlement, custody and information services for equities, corporate and municipal debt, money market instruments, American depository receipts, exchange-traded funds, unit investment trusts, mutual funds, insurance products and other securities. The National Securities Clearing Corporation (NSCC) subsidiary, which acts as a central counterparty (CCP), provides trade guarantee, netting and risk management services for equity and debt transactions from all U.S. stock exchanges and markets. The Depository Trust Company(DTC) subsidiary has custody of and provides asset servicing for millions of securities issues of issuers from the U.S. and over 60 other countries. DTC serves as a major clearinghouse for institutional post-trade settlement. DTCC's two subsidiary businesses have Standard and Poors' highest rating: AAA.

Depository Trust Company (DTC) DTC is the world's largest central securities depository. It accepts deposits of over 2 million equity and debt securities issues (valued at \$23 trillion) from over 65 countries for custody, executes book-entry deliveries (valued at over \$116 trillion in 2000) records book-entry pledges of those securities, and processes related income distributions DTC is a member of the U.S. Federal Reserve System, a limited-purpose trust company under New York State banking law, a registered clearing agency with the Securities and Exchange Commission, and is owned by the Depository Trust and Clearing Corporation (DTCC), which is in turn owned primarily by most of the major banks, broker-dealers, and exchanges on Wall Street.

Depreciate To allocate the purchase cost of an asset over its life.

Depreciated cost In terms of economics: The measure of capital consumption during production, e.g., machine and equipment wear. In terms of finance: The

process of amortization of fixed assets (equipment) to spread the cost over the depreciable life of the assets.

Depreciation A non-cash expense (also known as non-cash charge) that provides a source of free cash flow. Amount allocated during the period to amortize the cost of acquiring long-term assets over the useful life of the assets. To be clear, this is an accounting expense not a real expense that demands cash. The sum of depreciation expenses of prior years leads to the balance sheet item Accumulated Depreciation.

Depreciation tax shield The value of the tax write-off on depreciation of plant and equipment.

Depressed market Market in which supply overwhelms demand, leading to weak and lower prices.

Depressed price In the context of stocks, stock whose market price is low in comparison to stocks in its sector.

Depression An extended period of depressed economic activity, typically a number of years, and potentially consisting of at least one and maybe two or more recessions, during which one or more of GDP, output, income, or employment, especially the latter, fail to rise above their level at the beginning of the period, even if GDP or output do recover fully much earlier in the period. The Great Depression of the 1930's contained two distinct recessions with significant recoveries of GDP and output after each, but with an ongoing very high level of unemployment and loss of income. The National Bureau of Economic Research's Business Cycle Dating Committee dates U.S. business cycles. There is no definition of depression on their website. It is popularly believed that a decrease of real GDP of 10% or greater would indicate a depression.

DEQ Abbreviation for the Incoterm "Delivered Ex Quay."

Deregulation The reduction of government's role in controlling markets, which lead to freer markets, and presumably a more efficient marketplace.

Derivative A financial contract whose value is based on, or “derived” from, a traditional security (such as a stock or bond), an asset (such as a commodity), or a market index.

Derivative instruments Contracts such as options and futures whose price is derived from the price of an underlying financial asset.

Derivative markets Markets for derivative instruments.

Derivative security A financial security such as an option or future whose value is derived in part from the value and characteristics of another security, the underlying asset.

DES Abbreviation for “Delivered Ex Ship.”

Descending tops A chart pattern which in which each successive peak in a security’s price is lower than the preceding peak over a period of time. Antithesis of ascending tops.

Descriptor A variable describing assets, used as an element of a risk index. For example, a volatility risk index, distinguishing high volatility assets from low volatility assets, could consist of several descriptors based on short term volatility, long term volatility, systematic and residual volatility, etc.

Design risk The risk associated with the impact on project cash flow from deficiencies in design or engineering. Also known as engineering risk.

Designated order turnaround system (DOT) Computerized order entry system that allows orders to buy or sell large baskets of stock to be transmitted immediately to the specialist on the exchange, where execution will occur quickly, depending on the basket size. Also used for odd-lot transactions to occur at the prices and quantities available. See: AOS.

Desk The New York Federal Reserve Bank’s trading desk (or securities department) where all transactions of the Federal Reserve System are executed in the money market or the government securities market.

Detachable warrant A warrant entitles the holder to buy a given number of shares of stock at a stipulated price. A detachable warrant is one that may be sold separately from the package it may have originally been issued with (usually a bond).

Determinism Fully ordained in advance. A deterministic chaos system is one that gives random looking results, even though the results are generated from a system of equations.

Deterministic models Liability-matching models that assume that the liability payments and the asset cash flows are known with certainty. Related: Stochastic models.

Detrend To remove the general drift, tendency, or bent of a set of statistical data as related to time. Often accomplished by regressing a variable or a time index and perhaps the square of the time index and capturing the residuals. A stochastic detrend would be to subtract a moving-average (say for five years) from the value of the variable.

DEU The three-character ISO 3166 country code for GERMANY.

Deutsche Börse AG (DBAG) Deutsche Börse AG (DBAG) is the operating company for the German cash and derivatives markets. It has four subsidiaries: Deutsche Börse Clearing AG, Deutsche Börse Systems AG, Frankfurter Wertpapierbörse (FWB), and the derivatives market, EUREX Deutschland (formerly the Deutsche Terminbörse).

Deutsche Terminbörse (DTB) Formerly the German financial futures and options market. Merged with the Swiss Options and Financial Futures Exchange (SOFFEX) in 1998 to form EUREX, the European derivatives exchange.

Devaluation A decrease in the spot price of a currency. Often initiated by a government announcement.

Diagonal spread An options strategy requiring a long and a short position in the same class of option at different strike prices and different expiration dates. For example, buying an XYZ April 50 call and selling an XYZ July 55 call. See: Calendar spread; vertical spread.

Dialing and smiling See: Cold calling

Dialing for dollars A term used to describe the practice of cold calling, but which has negative implications as it is frequently applied to salespeople selling speculative or fraudulent investments.

Diamonds Units of interest in the diamonds trust, a unit investment trust that serves as an index to the Dow Jones Industrial Average in that its holdings consist of the 30 component stocks of the Dow.

Diaspora Bond A sovereign bond that targets investors that have emmigrated to other countries and the relatives of those emmigrants. For example, the government of Greece tries to sell a government bond to Americans of Greek origin.

Diff Short version of Euro rate differential, which is a Chicago Mercantile Exchange Futures contract that is founded on the interest rate spread between the U.S. dollar and the British pound, the German mark, or the Japanese yen.

Difference check The difference in interest payments that is paid to a swap counterparty to close out a deal.

Differential A small charge added to the purchase price and subtracted from the selling price by the dealer for odd-lot quantities.

Differential disclosure The practice of reporting conflicting or markedly different information in official corporate statements including annual and quarterly reports and 10-Ks and 10-Qs.

Differential swap Swap between two LIBOR rates of interest, e.g., yen LIBOR for dollar LIBOR Payments are in one currency.

Diffusion process A conception of the way a stock's price changes that assumes that the price takes on all intermediate values.

Digits deleted Designation on securities exchange tape meaning that because the tape has been delayed, some digits have been dropped (e.g., 26 1/2 becomes 6 1/2).

Dilution Diminution in the proportion of income to which each share is entitled. Issing new shares often causes dillution.

Dilution protection Standard provision that changes the conversion ratio in the case of a stock dividend or extraordinary distribution to avoid dilution of a convertible bondholder's potential equity position. Adjustment usually requires a split or stock dividend in excess of 5% or issuance of stock below book value.

Dilutive effect Result of a transaction that decreases earnings per common share (EPS).

Dim sum bond Unofficial name for bonds denominated in Chinese yuan and issued in Hong Kong. China's domestic debt market is closed to foreign investors, but foreign investors can invest in dim sum bonds.

Dip Slight drop in securities prices after a sustained uptrend. Analysts often advise investors to buy on dips, meaning to buy when a price is momentarily weak. See: Correction, break, crash.

Direct Claim A financial claim issued by a deficit unit to acquire funds for investment in real assets.

Direct costs of financial distress Costs such as fees or penalties incurred as a result of bankruptcy or liquidation proceedings.

Direct deposit A method of payment which electronically credits your checking or savings account.

Direct deposit service A service that electronically transfers all or part of any recurring payment including dividends, paychecks, pensions, and Social Security payments directly to a shareholder's account.

Direct estimate method A method of cash budgeting based on detailed estimates of cash receipts and cash disbursements category by category.

Direct Exchange Rate The home currency price of one unit of a foreign currency.

Direct foreign investment (DFI) Investment in real assets (such as land, buildings, or plants) outside one's own country.

Direct investment The purchase of a controlling interest in a company or at least enough interest to have enough influence to direct the course of the company.

Direct lease Contract in which a lessor purchases new equipment from the manufacturer and leases it to the lessee.

Direct Loan Program Fixed-rate loans offered by the Ex-Im Bank directly to the foreign buyer to purchase US capital equipment and services.

Direct overhead A fraction of overhead costs devoted to the manufacturing sector of a firm to cover expenses such as rent and utilities.

Direct paper Commercial paper sold directly by the issuer to investors.

Direct participation program An investment program enabling investors to directly participate in the cash flow and tax benefits of the partnership invested in by the investor, typically a form of passive investment.

Direct placement Selling a new issue not by offering it for sale publicly, but by placing it with one of several institutional investors. Also known as a private placement.

Direct public offering The process by which a company markets and sells its shares directly to investors rather than through an underwriter.

Direct Purchase Plan A plan that enables interested first-time individual investors to purchase a company's stock directly from the company or without the direct intervention of a broker. The administrator also ensures the safe-keeping of the shares by registering them directly on the books of the company. Eliminates the need for shareholders to hold on to physical certificates.

Direct quote For foreign exchange, the number of US dollars needed to buy one unit of a foreign currency.

Direct Registration System A system, sometimes referred to as DRS, that allows electronic direct registration of securities in an investor's name on the books for the transfer agent or issuer, and allows shares to be transferred between a transfer agent and broker electronically. DRS provides investors with a different way of holding their securities in certificate or street form. Under DRS, investors can elect to have their securities registered directly on the issuer's records in book-entry form. An investor electing to hold a security in a DRS book-entry position will receive a statement from the issuer or its transfer agent verifying ownership of the security. The investor can subsequently transfer electronically the DRS book-entry position to their bank or broker/dealer.

Direct rollover Movement of tax-deferred retirement plan money from one qualified plan or custodian to another. No immediate tax liabilities or penalties are incurred, but there is an IRS reporting requirement.

Direct search market Buyers and sellers seek each other directly and transact directly.

Direct stock-purchase programs Investors purchase securities directly from the issuer.

Direct terms The price of a unit of foreign currency in domestic currency terms, such as \$.9850/Euro for a US resident. See: Indirect terms.

Director See: Board of directors.

Director Exception A proxy or ballot that withholds its votes from one or more, but not all, individuals on the slate of nominated directors.

Directors' Duties In the context of corporate governance, Directors' Duties refers to stated responsibilities of the company's Board of Directors. These provisions allow directors to consider constituencies other than shareholders when considering a merger. These constituencies may include, for example, employees, host communities, or suppliers. This provision provides boards of directors with legal basis for rejecting a takeover that would have been beneficial to shareholders. A majority of states have Directors Duties Laws.

Directorship Used in the context of general equities. Stock status whereby a trader may not maintain positions in the security, due to an investment bank employee serving as a director on the corporation's Board of Directors done to avoid conflicts of interest; signified by a flashing "D" on Quotron. Contrast to restricted.

Dirty float A system of floating exchange rates in which a government may intervene to change the direction of the value of the country's currency.

Dirty price Bond price including accrued interest, i.e., the price paid by the bond buyer.

Dirty stock A stock that fails to fulfill prerequisites to attain good delivery status.

Disability income insurance An insurance policy that insures a worker in the event of an occupational mishap resulting in disability. Insurance benefits compensate the injured worker for lost pay.

Disbursement float A decrease in book cash but no immediate change in bank cash, generated by checks written by the firm.

DISC See: Domestic International Sales Corporation

Discharge of bankruptcy The termination of bankruptcy proceedings, resulting in cancellation of the debtor's obligations.

Discharge of lien An order terminating a lien on property.

Disclaimer of opinion An auditor's statement that does not express any opinion regarding the company's financial condition.

Disclosure A company's release of all information pertaining to the company's business activity, regardless of how that information may influence investors.

Discontinued operations Divisions of a business that have been sold or written off and that no longer are maintained by the business.

Discount Convertible: Difference between gross parity and a given convertible price. Most often invoked when a redemption is expected before the next coupon payment, making it liable for accrued interest. Antithesis of premium. General: Information that has already been taken into account and is built into a stock or market. Straight equity: Price lower than that of the last sale or inside market.

Discount Arbitrage A riskless arbitrage in which a discount option is purchased and an opposite position is taken in the underlying security. The arbitrageur may either buy a call at a discount and simultaneously sell the underlying security (basic call arbitrage) or may buy a put at a discount and simultaneously buy the underlying security (basic put arbitrage). See also Discount.

Discount bond Debt sold for less than its principal value. If a discount bond pays no coupon, it is called a zero coupon bond.

Discount broker A brokerage house featuring relatively low commission rates in comparison to a full-service broker.

Discount factor Present value of \$1 received at a stated future date.

Discount Interest Interest at a beginning of the loan. For example if you take out a one-year loan of \$100 at a discount interest rate of 10%, you would receive \$90 at the outset.

Discount payment The difference between the face value and the price paid for a security.

Discount period The period during which a customer can deduct the discount from the net amount of the bill when making payment.

Discount rate The interest rate that the Federal Reserve charges a bank to borrow funds when a bank is temporarily short of funds. Collateral is necessary to borrow, and such borrowing is quite limited because the Fed views it as a privilege to be used to meet short-term liquidity needs, and not a device to increase earnings. In context of NPV or PV calculations, the discount rate is the annual percentage applied. In the context of project financing, the discount rate is often the all-in interest rate or the interest rate plus margin.

Discount securities Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., US Treasury bills.

Discount window Facility provided by the Fed enabling member banks to borrow reserves against collateral in the form of government securities or other acceptable paper.

Discount yield The yield or annual interest rate on a security sold to an investor at a discount. A bond that is sold at \$4875 that matures to \$5000 has a discount of \$125. To calculate the discount yield: (discount divided by the face value of the security) multiplied by the (number of days in the year divided by the number of days to maturity).

Discounted basis To sell a debt instrument below maturity value, so that the difference makes up all or part of the interest.

Discounted cash flow (DCF) Future cash flows multiplied by discount factors to obtain present values.

Discounted dividend model (DDM) A formula to estimate the intrinsic value of a firm by figuring the present value of all expected future dividends.

Discounted in/by market Unannounced information that is widely accepted or anticipated, and hence is already taken into account in the pricing of the security/ market (e.g., poor earnings).

Discounted payback The length of time needed to recoup the present value of an investment.

Discounted payback period rule An investment decision rule in which cash flows are discounted at an interest rate and then one determines how long it takes for the sum of the discounted cash flows to equal the initial investment.

Discounting Calculating the present value of a future amount. Discounting is opposite to compounding.

Discounting the news An adjustment of a stock's price as speculators bid the price up or down in anticipation of news about the company, whether good or bad.

Discrepancy Any deviation from the conditions stipulated in a letters of credit. Discrepancies void letter of credit protection.

Discrete compounding Compounding the time value of money for separate time intervals.

Discrete random variable A random variable that can take only a certain specified set of individual possible values-for example, the positive integers 1, 2, 3, For example, stock prices are discrete random variables, because they can only take on certain values, such as \$10.00, \$10.01 and \$10.02 and not \$10.005, since stocks have a minimum tick size of \$0.01. By way of contrast, stock returns are continuous not discrete random variables, since a stock's return could be any number.

Discrete variable Variable like 1, 2, 3. Bond ratings are examples of discrete classifications.

Discretion Freedom given to the floor broker by an investor to use his judgment regarding the execution of an order. Discretion can be limited, as in the case of a limit order that gives the floor broker some distance from the stated limit price to use his judgment in executing the order. Discretion can also be unlimited, as in the case of a market-not-held order. See also: Market Not Held Order.

Discretionary account Account over which an individual or organization, other than the person in whose name the account is carried, exercises trading authority or control.

Discretionary cash flow Cash flow that is available after the funding of all positive net present value (NPV) capital investment projects; it is available for paying cash dividends, repurchasing common stock, retiring debt, and so on.

Discretionary income The amount of income a consumer has available after purchasing essentials such as food and shelter.

Discretionary order A type of buy order or sell order that gives the broker the freedom and power to make the execution at any time and price that is seen fit and reasonable, given the investor's goals.

Discretionary Proposition A proposal on a proxy card that brokers can cast in favor of management if they have not yet heard from the beneficial holder ten days before the annual meeting. See: Ten-Day Rule

Discretionary reserves Balance sheet accounts representing temporary accumulations of earnings from the current year or the recent past.

Discretionary trust In the context of mutual funds, refers to a mutual fund or unit trust whose management decides on the best way to use the assets without restriction to a specific type of security. In the context of trusts, refers to a personal trust in which a trustee has the power of decision as to how much income or principal each beneficiary receives.

Dishonor A refusal to pay.

Disinflation A decrease in the rate of inflation.

Disintermediation Withdrawal of funds from a financial-institution in order to invest them directly.

Disinvestment A reduction in capital investment reflected by a decrease in capital goods and a company's decision not to replace depleted capital goods.

Disorderly Market A characterization of market conditions whereby there is excessive volatility at a time when there is no news. The volatility is often caused by order imbalances. In some markets, shorts trying to cover can cause disorderly conditions. If disorderly conditions arise, sometimes trading is halted.

Disposable income The amount of personal income an individual has after taxes and government fees, which can be spent on necessities, or non-essentials, or be saved.

Distress sale The selling of assets under adverse conditions, e.g., an investor may have to sell securities to cover a margin call.

Distressed securities A security of a firm that has declared or is about to declare bankruptcy. In the context of hedge funds, a style of management that focuses on securities of companies that have declared bankruptcy and may be undergoing reorganization. Investment holdings can include bonds as well as stock in these firms.

Distributed New Treasury issues in dealers' hands are said to be distributed.

Distributing syndicate A syndicate consisting of a number of brokerage firms or investment bankers that work together to sell and disperse a large lot of securities.

Distribution Selling a large lot of a security in such a way that the security price is not heavily influenced.

Distribution area An established price range in which a stock has been trading for a significant amount of time. See: Accumulation area.

Distribution by coupon Classification of a portfolio's securities according to coupon rate the interest rate that an issuer promises to pay, expressed as an annual percentage of face value.

Distribution by credit quality Classification of a portfolio's securities according to credit rating.

Distribution by issuer Classification of a portfolio's holdings by type of issuer or type of instrument.

Distribution by maturity An indicator of interest rate risk. In general, the higher the concentration of longer-maturity issues, the more a portfolio's share price will fluctuate in response to changes in interest rates.

Distribution Cost Advantage A source of competitive advantage that depends on the efficient delivery of a product or service to customers.

Distribution period The few days between the Board of Directors' declaration of a stock dividend (declaration date) and the date of record, or the date an individual must own shares to be entitled to a dividend.

Distribution plan A mutual fund's plan to charge distribution costs such as advertising to the investors of the fund.

Distribution schedule The frequency (monthly, quarterly, semiannually, or annually) of a mutual fund's scheduled distributions of dividends or capital gains.

Distribution stock A small amount of a specific stock that forms part of a larger block of stock that is sold small amount by small amount so as not to disrupt the stock's market price.

Distributions Payments from fund or corporate cash flow. May include dividends from earnings, capital gains from sale of portfolio holdings and return of capital. Fund distributions can be made by check or by investing in additional shares. Funds are required to distribute realized capital gains (if any) to shareholders at least once per year if they are not to be taxed by the fund itself. Some corporations offer Dividend Reinvestment Plans (DRP).

DITM See: Deep in the money

Divergence When two or more averages or indexes fail to show confirming trends.

Diversifiable risk Related: Unsystematic risk

Diversification Dividing investment funds among a variety of securities with different risk, reward, and correlation statistics so as to minimize unsystematic risk.

Diversified investment company An investment vehicle such as a mutual fund that invests in an assortment of securities.

Divestiture A complete asset or investment disposal such as outright sale or liquidation.

Dividend A portion of a company's profit paid to common and preferred shareholders. A stock selling for \$20 a share with an annual dividend of \$1 a share yields the investor 5%.

Dividend capture See: Dividend rollover plan

Dividend clawback An arrangement under which sponsors of a project agree to contribute as equity any prior dividends received from the project to the extent necessary to cover any cash deficiencies.

Dividend clientele A group of shareholders who prefer that the firm follow a particular dividend policy. Such a preference may be based on comparable tax situations.

Dividend Disbursing Agent A commercial bank or financial-institution that disburses dividend to the securityholders. Usually a Transfer Agent is also the Dividend Disbursing Agent.

Dividend Discount Model (DDM) A method to value the common stock of a company that is based on the present value of the expected future dividends.

Dividend Discount Return The rate of return which equates the present value of future expected dividends with the current market price of a security.

Dividend distribution See: Dividend income

Dividend growth model An approach that assumes dividends grow at a constant rate in perpetuity. The value of the stock equals next year's dividends divided by the difference between the required rate of return and the assumed constant growth rate in dividends.

Dividend in arrears Accumulated dividends on cumulative preferred stock that are deemed payable to the current holder.

Dividend income Distribution of earnings to shareholders that may be in the form of cash, stock, or property. Mutual fund dividends are paid out of income, usually on a quarterly basis, from interest generated by a fund's investments. Also known as a dividend distribution.

Dividend limitation A bond covenant that restricts in some way the firm's ability to pay cash dividends.

Dividend Order A letter or form signed by the shareholder instructing a corporation to issue and forward dividend and/or interest payments to a specific person or entity other than the registered owner, such as a bank or broker.

Dividend payout ratio Percentage of earnings paid out as dividends.

Dividend policy Standards by which a firm determines the amount of money it will pay as dividends.

Dividend rate The fixed or floating rate paid on preferred stock based on par value.

Dividend record S&P publication stating companies' payment histories and corporate policies.

Dividend Reinvestment Plan (DRP) Plan which provides for automatic reinvestment of shareholder dividends in more shares of a company's stock, often without commissions. Some plans provide for the purchase of additional shares at a discount to market price. Dividend reinvestment plans allow shareholders to accumulate stock over the long term using dollar cost averaging. The DRP is usually administered by the company without charges to the holder.

Dividend requirement The annual earnings minimum required for payment of dividends on a preferred stock.

Dividend rights A shareholder's rights to receive per-share dividends identical to those other shareholders receive.

Dividend rollover plan An investment strategy that entails the purchasing before and selling after of a stock right before its ex-dividend date in order to collect the dividends paid out by the stock and capture a trade profit.

Dividend trade roll/play Used for listed equity securities. Method of buying and selling stocks around their ex-dividend dates so as to collect the dividend (which is 80% tax-exempt) offset by a fully-taxable capital loss. Predicated on the 80% current exemption that some corporations receive on dividend income.

Dividend yield (Funds) Indicated yield represents return on a share of a mutual fund held over the past 12 months. Assumes fund was purchased a year ago. Reflects effect of sales charges (at current rates), but not redemption charges.

Dividend yield (Stocks) Indicated yield represents annual dividends divided by current stock price.

Dividends payable The declared dividend dollar amount that a company is obligated to pay.

Dividends per share Dividend paid for the past 12 months divided by the number of common shares outstanding, as reported by a company. The number of shares often is determined by a weighted average of shares outstanding over the reporting term.

Dividends-received deduction A corporate tax deduction on income allowed by company A that is in ownership of shares of company B and receives dividends on the shares of company B.

Divisional buyout (Divisional LBO) A form of leveraged buyout where a business unit, a subsidiary, or a corporate division is acquired.

Divisor Used in construction of stock indices. Suppose there 10 stocks in an index, each worth \$10 and the index is at 100. Now suppose that one of the stocks must be replaced with another stock that is worth \$20. If no adjustment is made to the divisor, the total value of the index would be 110 after the swapping, yet there should be no increase in value because nothing has happened other than switching the two constituents. The solution is to change the divisor; in this case from 1.00 to 1.10. Note that the value of the index, $110/1.1$, is now exactly 100 - which is where it was prior to the swap.

DJ The two-character ISO 3166 country code for DJIBOUTI.

DJF The ISO 4217 currency code for Djibouti Franc.

DJI The three-character ISO 3166 country code for DJIBOUTI.

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Salary reduction plan A plan allowing employees to contribute pre-tax income to a tax-deferred retirement plan.

Salary Reduction Simplified Employee Pension Plan (SARSEP) A low-cost, no-frills version of a 401(k) employee savings plan available to companies with 25 or fewer employees. It allows employees to make pretax contributions to their IRAs through salary reduction each year. The Small Business Job Protection Act of 1996 replaced SARSEPs with SIMPLE (Savings Incentive Match Plan for Employees) plans. Existing SARSEPs were allowed to add new participants, but new plans could not be formed after December 31, 1996.

Sale An agreement between a buyer and a seller on the price to be paid for a security, followed by delivery.

Sale and lease-back Sale of an existing asset to a financial institution that then leases it back to the user. Related: Lease.

Sales charge The fee charged by a mutual fund at purchase of shares, usually payable as a commission to a marketing agent, such as a financial adviser, who is thus compensated for assistance to a purchaser. It represents the difference, if any, between the share purchase price and the share net asset value.

Sales completion In the context of project financing, the state in which the project has reached physical completion and has delivered product or generated revenues in satisfaction of a sales completion test.

Sales Contract Contract between a seller and buyer for the sale of goods, services, or both.

Sales forecast A key input to a firm's financial planning process. External sales forecasts are based on historical experience, statistical analysis, and consideration of various macroeconomic factors.

Sales literature Material written by an institution selling a product, which informs potential buyers of the product and its benefits.

Sales load See: Sales charge

Sales tax A percentage tax on the selling price of goods and services.

Sales-type lease The leasing out of a firm's own equipment, such as a printing company leasing its own presses, thereby competing with an independent leasing company.

Sallie Mae See: Student Loan Marketing Association

Salomon Brothers Non-U.S. Dollar World Government Bond Index A benchmark index that includes institutionally traded bonds other than U.S. issues that have a fixed rate and a remaining maturity of one year or longer.

Salomon Brothers World Equity Index (SBWEI) A top-down, float capitalization-weighted index used to measure the performance of fixed-income and equity markets. It includes approximately 6000 companies in 22 countries.

Salvage value Scrap value of plant and equipment.

Same-Day Funds Settlement (SDFS) A method of settlement used in trading between well-collateralized parties in good-the-same-day federal funds used by the Depository Trust Company for transactions in US government securities, short-term municipal notes, medium-term commercial paper notes, CMOs, and other instruments.

Same-day substitution Offsetting changes in a margin account during the day that result in no overall change in the balance of the account.

Samurai bond A yen-denominated bond issued in Tokyo by a non-Japanese borrower. Related: Bulldog bond and Yankee bond.

Samurai market The foreign market in Japan.

Santa Claus Rally Seasonal rise in stock prices in the last week of the calendar year, between Christmas and New Year's Day.

Sao Paulo Stock Exchange See: Bolsa de Valores de Sao Paulo

SAR The ISO 4217 currency code for the Saudi Arabian Riyal.

Sarbanes Oxley Act of 2002 Legislation passed largely as a result of a number of accounting scandals. Among the many features is the creation of the Public Company Accounting Oversight Board. This board is charged to: The Board shall: 1) register public accounting firms; 2) establish, or adopt, by rule, auditing, quality control, ethics, independence, and other standards relating to the preparation of audit reports for issuers; (3) conduct inspections of accounting firms; (4) conduct investigations and disciplinary proceedings, and impose appropriate sanctions; (5) perform such other duties or functions as necessary or appropriate; (6) enforce compliance with the Act, the rules of the Board, professional standards, and the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto; (7) set the budget and manage the operations of the Board and the staff of the Board.

Saturday night special Often used in risk arbitrage. Sudden attempt by one company to take over another by making a public tender offer.

SATURNS See Structured Asset Trust Unit Repackagings. Structured Asset Trust Unit Repackagings A synthetic security linked or weak-linked to underlying collateral. Ratings usually reflect the credit quality of the underlying securities.

SAU The three-character ISO 3166 country code for SAUDI ARABIA.

Saucer Technical chart pattern depicting a security whose price has reached bottom and is moving up.

Savings account A deposit account held with a financial institution that pays interest but does not allow for direct withdrawal through checks. Pays interest at a rate higher than that of checking account but lower than that of treasury bills.

Savings and loan association National- or state-chartered institution that accepts savings deposits and invests the bulk of the funds thus received in mortgages.

Savings Association Insurance Fund (SAIF) A government organization that replaced the Federal Savings and Loan Insurance Corporation as the provider of deposit insurance for thrift institutions.

Savings bank An institution that primarily accepts consumer savings deposits and to make home mortgage loans.

Savings bond A government bond issued in face value denominations from \$50 to \$10,000, with local and state tax-free interest and semiannually adjusted interest rates.

Savings deposits Accounts that pay interest, typically at below-market interest rates, that do not have a specific maturity, and that usually can be withdrawn upon demand.

Savings element Used in the context of life insurance, the cash value built up in a policy, which equals the amount of premium paid minus the cost of protection. This excess is invested by the insurance company, and the returns are tax-deferred inside the policy.

Savings Incentive Match Plan for Employees (SIMPLE) 401(k) plan A tax-deferred retirement savings plan similar to a conventional 401(k) plan, redesigned with specific rules to meet the needs of small employers. The Small Business Job Protection Act of 1996 created these plans for companies with fewer than 100 employees. An employee's contributions are indexed for inflation, and employers must make annual annual matching contributions.

Savings rate Personal savings as a percentage of disposable personal income.

SB The two-character ISO 3166 country code for SOLOMON ISLANDS.

SBD The ISO 4217 currency code for the Solomon Islands Dollar.

SC The two-character ISO 3166 country code for SEYCHELLES.

Scalability The ability to increase the size of a business while either maintaining or increasing its profit margin. Scale Payment of different rates of interest on CDs of varying maturities. A bank is said to “post a scale.” Commercial paper dealers also post scales.

Scalability The ability to increase the size of a business while either maintaining or increasing its profit margin. Scale Payment of different rates of interest on CDs of varying maturities. A bank is said to “post a scale.” Commercial paper dealers also post scales.

Scale in Gradually taking a position in a security or market over time.

Scale order Order to buy (sell) a security that specifies the total amount to be bought (sold) and the amount to be bought (sold) at successively decreasing (increasing) price intervals; often placed in order to average the price.

Scale-enhancing Describes a project that is in the same risk class as the whole firm. That is, the project allows the firm to grow larger in the context of their current business rather than diversify into new businesses.

Scaling How the characteristics of an object change as you change the size of your measuring device. For a three dimensional object, it could be the volume of an object covered as you increase the radius of a covering sphere. In a times series, it could be the change in the amplitude of the time series as you increase the increment of time.

Scalp To trade for small gains. Scalping normally involves establishing and liquidating a position quickly, usually within the same day.

Scalping Buying up the good IPOs.

SCAP See: Supervisory Capital Assessment Program.

Scattered Used for listed equity securities. Unconcentrated buy or sell interest.

Scenario analysis The use of horizon analysis to project total returns under different reinvestment rates and future market yields.

Schedule 13d Disclosure form required when more than 5% of any class of equity securities in a publicly held corporation is purchased.

Schedule C Describes membership requirements and procedures of NASD, in its bylaws.

Scheduled cash flows The mortgage principal and interest payments due to be paid under the terms of the mortgage, not including possible prepayments.

Scorched-earth policy Often used in risk arbitrage. Any technique a company that has become the target of a takeover attempt uses to make itself unattractive to the acquirer. For example, it may agree to sell off its crown jewels, or schedule all debt to become due immediately after a merger.

SCR The ISO 4217 currency code for the Seychelles Rupee.

Screen stocks To analyze various stocks in search of stocks that meet predetermined criteria. For example, a simple value screen would sort all stocks by their price-to-book ratio and pick the stocks with the lowest ratios as candidates for the value portfolio.

Scrip A temporary document that represents a portion of a share of stock, often issued after a stock split or spin-off.

Scripophily Collecting stock and bond certificates for their scarcity, rather than for their value as securities.

SD The two-character ISO 3166 country code for SUDAN.

SDD The ISO 4217 currency code for the Sudanese Dinar.

SDN The three-character ISO 3166 country code for SUDAN.

SDR See: Special drawing rights

SE The two-character ISO 3166 country code for SWEDEN.

SEAQ See: Stock Exchange Automated Quotation System

Search costs Costs associated with locating a counterparty to a trade, including explicit costs (such as advertising) and implicit costs (such as the value of time).
Related: Information costs.

Seasonally adjusted Mathematically adjusted by moderating a macroeconomic indicator (e.g., oil prices/imports) so that relative comparisons can be drawn from month to month all year.

Seasonally adjusted annual rate A rate adjustment for economic or business data removing seasonal variations in the data to achieve more accurate relative comparisons from month to month.

Seasoned In the case of equity, having gained a reputation for quality with the investing public and enjoying liquidity in the secondary market; in the case of convertibles, having traded for at least 90 days after issue in Europe, and thus available for sale legally to U.S. investors.

Seasoned datings Extended credit for customers who order goods in periods other than peak seasons.

Seasoned issue Issue of a security for which there is an existing market. Related: Unseasoned issue.

Seasoned new issue A new issue of stock after the company's securities have previously been issued. A seasoned new issue of common stock can be made using a cash offer or a rights offer.

Seat Position of membership on a securities or commodity exchange, bought and sold at market prices.

SEC See: Securities & Exchange Commission

SEC fee Small fee the SEC charges to sellers of equity securities on an exchange.

Secert Ballot In the context of corporate governance, this is also known as confidential voting. An independent third party or employees sworn to secrecy are used to count proxy votes, and the management usually agrees not to look at individual proxy cards. This can help eliminate potential conflicts of interest for fiduciaries voting shares on behalf of others, or can reduce pressure by management on shareholder-employees or shareholder-partners.

Second Lien Debt Debts that are subordinate to the rights of other more senior debts issued against the same collateral.

Second market The OTC market.

Second mortgage lending Loans secured by real estate previously pledged in a first mortgage.

Second pass regression A cross-sectional regression of portfolio returns on betas. The estimated slope is the measurement of the reward for bearing systematic risk during the period analyzed.

Second round Stage of venture capital financing following the start-up and first round stages and before the mezzanine level stage.

Second-preferred stock Preferred stock issue that has less priority in claiming dividends and assets in liquidation than another issue of preferred stock.

Second-to-die insurance Insurance policy that, on the death of the spouse dying last, pays a death benefit to the heirs that is designed to cover estate taxes.

Secondary buyout A form of leveraged buyout where both the buyer and the seller are private equity companies or Financial sponsors.

Secondary distribution/offering Public sale of previously issued securities held by large investors, usually corporations or institutions, as distinguished from a primary distribution, where the seller is the issuing corporation. The sale is handled off the NYSE, by a securities firm or a group of firms, and the shares are usually offered at a fixed price related to the current market price of the stock.

Secondary issue (1) Procedure for selling blocks of seasoned issues of stocks. (2) More generally, sale of already issued stock.

Secondary market The market in which securities are traded after they are initially offered in the primary market. Most trading occurs in the secondary market. The New York Stock Exchange, as well as all other stock exchanges and the bond markets, are secondary markets. Seasoned securities are traded in the secondary market.

Secondary mortgage market Buying and selling existing mortgage loans, which are often pooled and traded as mortgage-backed securities.

Secondary Offering An IPO in which privately held shares in a corporation are sold to the public.

Secondary reserves Reserves held by depository institutions in excess of those mandated by reserve requirements. These reserves are often held in the form of assets that can be quickly and easily converted to cash and are used to meet unanticipated obligations.

Secondary stocks Stocks with smaller market capitalization, less quality and more risk than blue chip issues that behave differently than larger corporations' stocks.

Section 16(a) Provision of the Securities Exchange Act of 1934 that requires company insiders to file periodic reports disclosing their holdings and changes in beneficial ownership of the company's equity securities.

Section 16(b) Provision of the Securities Exchange Act of 1934 that requires that any profit realized by a company insider from the purchase and sale, or sale and purchase, of the company's equity securities within a period of less than six months must be returned to the company. It is also known as the "short-swing profit" rule.

Section 423 The government agency responsible for the supervision and regulation of the securities industry and markets, as well as public securities offerings and the ongoing disclosure obligations of public companies.

Section 482 US Department of Treasury regulations governing transfer prices.

Section 83(b) Election A tax filing within 30 days of grant that allows employees granted stock to pay taxes on the grant date instead of on the date restrictions lapse. If an employee files the election, taxes are based on the fair market value on the grant date, with any future appreciation taxed as a capital gain. If the employee does not file an election, taxes are based on the fair market value on the date the restrictions lapse, which will be higher assuming the stock has appreciated in value.

Sector Used to characterize a group of securities that are similar with respect to maturity, type, rating, industry, and/or coupon.

Sector allocation Investment of certain proportions of a portfolio in certain sectors. See: Industry allocation.

Sector diversification Constituting of a portfolio of stocks of companies in each major industry group.

Sector fund A mutual fund that concentrates on a relatively narrow market sector. These funds can experience higher share price volatility than some diversified funds because sector funds are subject to common market forces specific to a given sector.

Sector rotation An active asset management strategy certain sectors, that tactically overweights and underweights depending on expected performance. Sometimes called rotation.

Secular Long-term time frame (10-50 years or more).

Secured bond A bond backed by the pledge of collateral, a mortgage, or other lien, as opposed to an unsecured bond, called a debenture .

Secured debt Debt that has first claim on specified assets in the event of default.

Securities Paper certificates (definitive securities) or electronic records (book-entry securities) evidencing ownership of equity (stocks) or debt obligations (bonds).

Securities & Exchange Commission (SEC) A federal agency that regulates the US financial markets. The SEC also oversees the securities industry and promotes full disclosure in order to protect the investing public against malpractice in the securities markets.

Securities Act of 1933 First law designed to regulate securities markets, requiring registration of securities and disclosure.

Securities Acts Amendments of 1975 Legislation to encourage the establishment of a national market system together with a system for nationwide clearing and settlement of securities transactions.

Securities analysts Related: Financial analysts

Securities and commodities exchanges Exchanges on which securities, options, and futures contracts are traded by members for their own accounts and for the accounts of customers.

Securities and Exchange Commission Rules Rules enacted by the SEC to assist in the regulation of US financial markets.

Securities Exchange Act of 1934 Legislation that created the SEC, outlawing dishonest practices in the trading of securities.

Securities Exchange of Thailand (SET) The only stock market in Thailand, based in Bangkok.

Securities Industry and Financial Markets Association (SIFMA) An industry association that represents the interests of hundreds of securities firms, banks and asset managers. SIFMA is the U.S. regional member of the Global Financial Markets Association (GFMA).

Securities Industry Association (SIA) An association of broker-dealers who sell taxable securities, which lobbies the government, records industry trends, and keeps records of broker profits.

Securities Industry Committee on Arbitration (SICA) A private group that provides mediation services in case of customer complaints against securities firms.

Securities Investor Protection Corporation (SIPC) A nonprofit corporation that insures customers' securities and cash held by member brokerage firms against the failure of those firms.

Securities loan The loan of securities between brokers, often to cover a client's short sale; or a loan secured by marketable securities.

Securities markets Organized exchanges plus over-the-counter markets in which securities are traded.

Securitization Creating a more or less standard investment instrument such as the mortgage pass-through security, by pooling assets to back the instrument. Also refers to the replacement of nonmarketable loans and/or cash flows provided by financial intermediaries with negotiable securities issued in the public capital markets.

Security Piece of paper that proves ownership of stocks, bonds, and other investments.

Security characteristic line A plot on a graph of the excess return on a security over the risk-free rate as a function of the excess return on the market. The slope of this line is the security's beta.

Security deposit (initial) Synonymous with the term margin. A cash amount that must be deposited with the broker for each contract as a guarantee of fulfillment of the futures contract. It is not considered as part payment or purchase. Related: Margin.

Security deposit (maintenance) Related: Maintenance margin

Security Industry Automated Corporation (SIAC) Entity that executes automated DOT orders.

Security interest The creditor's right to take property or a portion of property offered as security.

Security market line Line representing the relationship between expected return and market risk or beta. The slope of this line is the risk premium for beta. Security market line Line representing the relationship between expected return and market risk or beta. The slope of this line is the risk premium for beta.

Security market line Line representing the relationship between expected return and market risk or beta. The slope of this line is the risk premium for beta. Security market line Line representing the relationship between expected return and market risk or beta. The slope of this line is the risk premium for beta.

Security market plane A plane that shows the relationship between expected return and the beta coefficient of more than one factor.

Security ratings Commercial rating agencies' assessment of the credit and investment risk of securities.

Security selection See: Security selection decision

Security selection decision Choosing the particular stocks or bonds or other investment instruments to include in a portfolio.

SED See: Shipper's Export Declaration

Seed money The first contribution by a venture capitalist toward the financing of a new business, often using a loan or purchase of convertible bonds or preferred stock. See: Mezzanine level and second round.

Seed stage In context of private equity, the state of a company when it has just been incorporated and its founders are developing their product or service.

Seek a market Search for a securities buyer or seller.

SEFs See: Swap Execution Facilities

Segmented Market A market in which there are impediments to the free flow of labor, capital, and information.

Segregation of securities SEC rules to dictate how customers' securities may be used by broker-dealers in broker loans.

SEHK See: Stock Exchange of Hong Kong

Seigniorage The amount of goods and services that the government obtains by printing new money in a given period. Often we consider this in real terms, by dividing the new money by the price level.

SEK The ISO 4217 currency code for the Swedish Krona.

Select ten portfolio A unit investment trust that buys and holds for one year the ten stocks in the Dow Jones Industrial Average with the highest dividend yields.

Selected dealer agreement The set of rules governing the selling group in an underwriting.

Selective hedging Protecting investments during some time periods and not during others.

Self Tender A company buys back a certain percentage of its own shares through a tender offer.

Self-amortizing mortgage Mortgage whose entire principal is paid off in a specified period of time with regular interest and principal payments.

Self-directed IRA An IRA that the account holder can after appointing a custodian manager to carry out investment instructions.

Self-employed income Taxable income of a person involved in a sole proprietorship or other sort of free-lance work.

Self-employment tax A tax self-employed people must pay to qualify them to receive Social Security benefits at retirement.

Self-liquidating loan Loan to finance current assets. The sale of the current assets provides the cash to repay the loan.

Self-regulatory organization (SRO) Organizations that enforce fair, ethical, and efficient practices in the securities and commodity futures industries, including all national securities and commodities exchanges and the NASD.

Self-selection Consequence of a contract that induces only one group to participate.

Self-Similar When small parts of an object are qualitatively the same, or similar to the whole object. In certain deterministic fractals, like the Sierpinski Triangle, small pieces look the same as the entire object. In random fractals, small increments of time will be statistically similar to larger increments of time. See: Fractal.

Self-supporting debt Bonds sold to finance a project that will produce enough revenue through tolls or other charges to retire the debt . See: revenue bond.

Self-tender offer A company that tenders for its own shares.

Sell hedge Related: short hedge.

Sell limit order Conditional trading order that indicates that a security may be sold at the designated price or higher. Related: Buy limit order.

Sell off Sale of securities under pressure. See: Dumping.

Sell order An order that may take many different forms by an investor to a broker to sell a particular stock, bond, option, future, mutual fund, or other holding.

Sell out Liquidation of a margin account after a customer has failed to bring an account to a required level by producing additional equity after a margin call. The selling of securities by a broker when a customer fails to pay for them. The complete sale of all securities in a new issue.

Sell plus order Market or limit order to sell a stated amount of stock provided that the price to be obtained is not lower than the last sale if the last sale was a plus, or zero plus tick, and is not lower than the last sale plus the minimum fractional change in the stock if the last sale was a minimum or zero minimum tick. (In a limit order, sale cannot be lower than the limit, regardless of tick.)

Sell price See: Redemption price

Sell the book Used for listed equity securities. Order to a broker by the holder of a large quantity of shares of a security to sell all that can be absorbed at the current bid price. The term derives from the specialist's book - the record of all the buy and sell orders members have placed in the stock one handles. In this scenario, the buyers potentially include those in the specialist's book, the specialist for its own account, and broker-dealers.

Sell-side analyst A financial analyst who works for a brokerage firm and whose recommendations are passed on to the brokerage firm's customers. Also called Wall Street analyst.

Seller financing Funding a purchase by a seller's loan to the buyer, the buyer takes full title to the property when the loan is fully repaid.

Seller's market Market in which demand exceeds supply. As a result, the seller can dictate the price and the terms of sale.

Seller's option Delayed settlement/delivery in a transaction.

Seller's points In reference to a loan, seller's points consist of a lump sum paid by the seller to the buyer's creditor to reduce the cost of the loan to the buyer. This payment is either required by the creditor or volunteered by the seller, usually in a loan to buy real estate. Generally, one point equals one percent of the loan amount.

Selling climax A sudden drop in security prices as sellers dump their holdings.

Selling concession The discount underwriters offer the selling group on securities in a new issue.

Selling dividends Inducing a prospective customer to buy shares in order to profit from a dividend scheduled in the near future.

Selling group All banks involved in selling or marketing a new issue of stock or bonds.

Selling on the good news A strategy of selling stock shortly after a company announces good news and the stock price rises. Investors believe that the price is as high as it can go and is on the brink of going down.

Selling short Selling a stock not actually owned. If an investor thinks the price of a stock is going down, the investor could borrow the stock from a broker and sell it. Eventually, the investor must buy the stock back on the open market. For instance, you borrow 1000 shares of XYZ on July 1 and sell it for \$8 per share. Then, on Aug. 1, you purchase 1000 shares of XYZ at \$7 per share. You've made \$1000 (less commissions and other fees) by selling short.

Selling short against the box Selling short stock that is actually owned by the seller but held in the box, meaning it is held in safekeeping. The seller borrows securities needed to cover as the stock in the box may be inaccessible, or the seller may not wish to disclose ownership. The traditional motive for this transaction was to defer capital gains taxes. However, this method became infeasible under the Taxpayer Relief Act of 1997.

Selling Syndicate A group of underwriters that issues a firm's securities by buying them from the issuing firm and reselling them to a group of smaller brokerage firms for eventual sale to individual investors.

Selling the spread A spread whose option to be sold is trading at a higher premium than the option to be bought.

Selling, general, and administrative (SG&A) expenses Expenses such as salespersons' salaries and commissions, advertising and promotion, travel and entertainment, office payroll and expenses, and executives' salaries.

Semistrong-form efficiency A form of pricing efficiency that profits the price of a security fully reflects all public information (including, but not limited to, historical price and trading patterns). Compare weak-form efficiency and strong-form efficiency.

SEN The three-character ISO 3166 country code for SENEGAL.

Senior debt Debt whose terms in the event of bankruptcy, require it to be repaid before subordinated debt receives any payment.

Senior Loan Officer Opinion Survey on Bank Lending Practices Survey A survey of approximately sixty large domestic banks and twenty four U.S. branches and agencies of foreign banks conducted by the Federal Reserve on quarterly basis. Questions cover changes in the standards and terms of the banks' lending and the state of business and household demand for loans.

Senior mortgage bond A bond that, in the event of bankruptcy, will be redeemed before any other bonds are repaid.

Senior refunding Replacement by the issuer of securities with 5-to 12-year maturities with securities of 15-year or longer maturities, in order to delay, reduce, or consolidate payment.

Senior security A security that, in the event of bankruptcy, will be redeemed before any other securities.

Seniority The order of repayment. In the event of bankruptcy, senior debt must be repaid before subordinated debt is repaid.

Sensitive market A market that reacts to a great extent to good or bad news.

Sensitivity analysis Analysis of the effect on a project's profitability of changes in sales, cost, and so on.

Sentiment indicators The general feeling of investors about the state of the market, such as whether they are bullish or bearish.

Separate customer Method of allocating insurance by the Securities Investor Protection Corporation. Each account that is under the name of a different person or group of people is entitled to maximum protection.

Separate tax returns Tax returns of married persons who choose to file their returns individually, usually because this approach produces lower overall tax payments.

Separate Trading of Registered Interest and Principal Securities (STRIPS) Long-term notes and bonds divided into principal and interest-paying components, which may be transferred and sold in amounts as small as \$1000. STRIPS are sold at auction at a minimum par amount, varying for each issue. The amount is an arithmetic function of the issue's interest rate.

Separation property The property that portfolio choice can be divided into two independent tasks: (1) Determination of the optimal risky portfolio, which is a purely mathematical problem, and (2) the personal choice of the best mix of the optimal risky portfolio and the risk-free asset, which depends on a person's degree of risk aversion.

Separation theorem Theory that the value of an investment to an individual is not dependent on consumption preferences. That is, investors will want to accept or reject the same investment projects by using the NPV rule, regardless of personal preference.

Septendecillion A unit of quantity equal to 10^{54} (1 followed by 54 zeros).

Septennonagintillion A unit of quantity equal to 10^{294} (1 followed by 294 zeros).

Septenoctogintillion A unit of quantity equal to 10^{264} (1 followed by 264 zeros).

Septenquadragintillion A unit of quantity equal to 10^{144} (1 followed by 144 zeros).

Septenquingintillion A unit of quantity equal to 10^{174} (1 followed by 174 zeros).

Septenseptuagintillion A unit of quantity equal to 10^{234} (1 followed by 234 zeros).

Septensexagintillion A unit of quantity equal to 10^{204} (1 followed by 204 zeros).

Septentrigintillion A unit of quantity equal to 10^{114} (1 followed by 114 zeros).

Septenvigintillion A unit of quantity equal to 1084 (1 followed by 84 zeros).

Septillion A unit of quantity equal to 1024 (1 followed by 24 zeros).

Septuagintillion A unit of quantity equal to 10213 (1 followed by 213 zeros).

Serial bonds Corporate bonds arranged so that specified principal amounts become due on specified dates. Related: Term bonds.

Serial covariance The covariance between a variable and the lagged value of the variable; the same as autocorrelation.

Serial entrepreneur Business person that successfully starts (does not kill) a number of different businesses.

Serial redemption The redemption of a serial bond.

Series Options: All option contracts of the same class that also have the same unit of trade, expiration date, and exercise price. Stocks: shares that have common characteristics, such as rights to ownership and voting, dividends, or par value. In the case of many foreign shares, one series may be owned only by citizens of the country in which the stock is registered.

Series bond Bond that may be issued in several series under the same indenture document.

Series E bond A local and state tax-free bond issued by the U.S. government from 1941 to 1979, which was then replaced by Series HH bonds.

Series EE bond See: Savings bond

Series HH bond See: Savings bond

Service charge A component of some finance charges, such as the fee for triggering an overdraft checking account into use.

Service life See Useful life.

Set of contracts perspective View of corporation as a set of contracting relationships among individuals who have conflicting objectives, such as shareholders or managers. The corporation is a legal construct that serves as the nexus for the contracting relationships.

Set up Applies mainly to convertible securities. Arbitrage involving going long the convertible and short a certain percentage of the underlying common. Antithesis of Chinese hedge.

Set-aside A percentage of a municipal or corporate bond underwriting that is allocated for handling by a minority-owned broker/dealer firm.

Setoff Money held on behalf of a borrower that may be applied to repay the loan, but usually without the permission of the borrower.

Settle price An average of the trading prices in the futures market during the last few minutes of trading.

Settlement When payment is made for a trade.

Settlement date The date on which payment is made to settle a trade. For stocks traded on US exchanges, settlement is currently three business days after the trade. For mutual funds, settlement usually occurs in the US the day following the trade. In some regional markets, foreign shares may require months to settle.

Settlement options The various possibilities open to a beneficiary under a life insurance policy as to how the benefit will be paid out.

Settlement price A figure determined by the closing range that is used to calculate gains and losses in futures market accounts. Settlement prices are used to

determine gains, losses, margin calls, and invoice prices for deliveries. Related: Closing range.

Settlement rate The rate suggested in Financial Accounting Standards Board (FASB) 87 for discounting the obligations of a pension plan. The rate at which the pension benefits could be effectively settled if the company sponsoring the pension plan wishes to terminate its pension obligation.

Settlement risk The risk that one party will deliver and the counterparty will not be able to pay and vice versa.

Severally but not jointly An agreement between members of an underwriting group buy a new issue (severally), but not to assume joint liability for shares left unsold by other members.

Severance A settlement received after being released from a corporation. In the context of corporate governance, an agreement that assures high-level executives of their positions or some compensation and are not contingent upon a change in control.

Sexagintillion A unit of quantity equal to 10¹⁸³ (1 followed by 183 zeros).

Sexdecillion A unit of quantity equal to 10⁵¹ (1 followed by 51 zeros).

Sexnonagintillion A unit of quantity equal to 10²⁹¹ (1 followed by 291 zeros).

Sexoctogintillion A unit of quantity equal to 10²⁶¹ (1 followed by 261 zeros).

Sexquadragintillion A unit of quantity equal to 10¹⁴¹ (1 followed by 141 zeros).

Sexquinquagintillion A unit of quantity equal to 10¹⁷¹ (1 followed by 171 zeros).

Sexseptuagintillion A unit of quantity equal to 10²³¹ (1 followed by 231 zeros).

Sexsexagintillion A unit of quantity equal to 10201 (1 followed by 201 zeros).

Sextillion A unit of quantity equal to 1021 (1 followed by 21 zeros).

Sextrigintillion A unit of quantity equal to 10111 (1 followed by 111 zeros).

Sexvigintillion A unit of quantity equal to 1081 (1 followed by 81 zeros).

SG The two-character ISO 3166 country code for SINGAPORE.

SGD The ISO 4217 currency code for the Singapore Dollar.

SGP The three-character ISO 3166 country code for SINGAPORE.

SGS The three-character ISO 3166 country code for SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS.

SH The two-character ISO 3166 country code for SAINT HELENA.

Shadow banking Financial institutions and activities that in some respects parallel banking activities but are subject to less regulation than commercial banks. Institutions include mutual funds, investment bank, and hedge funds.

Shadow calendar A backlog of securities issues registered with the SEC, awaiting the determination of an offer date.

Shadow stock First, a public company may create a stock that strips out the market wide movements for the purpose of rewarding managers. That is, the management might have done a great job - but the traded stock plummets because the market as a whole plummets. A second interpretation of shadow stock is a phantom stock that is created by a private company (i.e. that does not have stock traded either on exchange or over the counter) again for the purpose of performance evaluation and rewards.

Shadows The thin lines above and below the real body on a candlestick line.

Shakeout A dramatic change in market conditions that forces speculators to sell their positions, often at a loss.

Sham A business transaction, such as a limited partnership, that is entered into for the sake of avoiding tax.

Shanghai Stock Exchange One of two major securities markets in China.

Share broker A discount broker who charges per share traded, and reduces the per unit charge as the number of shares traded increases, as opposed to a dealer who charges a percentage of the dollar amount of the trade.

Share repurchase Program by which a corporation buys back its own shares in the open market. It is usually done when shares are undervalued. Since repurchase reduces the number of shares outstanding and thus increases earnings per share, it tends to elevate the market value of the remaining shares held by stockholders.

Shared Appreciation Mortgage (SAM) A mortgage with a low rate of interest, offset by giving the lender some portion of the appreciation in the value of the underlying property.

Shareholder Person or entity that owns shares or equity in a corporation.

Shareholders' equity This is a company's total assets minus total liabilities. A company's net worth is the same thing.

Shareholders' letter A section of an annual report where one can find general overall discussion by management of successful and failed strategies. Provides guidance for looking at specific parts of the report.

Shares Certificates or book entries representing ownership in a corporation or similar entity.

Shares authorized The maximum number of shares of stock of a company allowed in the articles of incorporation, which may be changed only by a shareholder vote. See: Issued and outstanding.

Shark repellent Often used in risk arbitrage. Examples are golden parachutes, poison pills, safe harbor, and scorched-earth policy. **Porcupine provision.** Amendment to company charter intended to protect it against takeover.

Shark watcher Often used in risk arbitrage. Firm specializing in the early detection of takeover activity. Such a firm, whose primary business is usually the solicitation of proxies for client corporations, monitors trading patterns in a client's stock and attempts to determine the identity of parties accumulating shares.

Sharpe benchmark A statistically created benchmark that adjusts for a manager's index-like tendencies. Named after William Sharpe, Nobel Laureate, and developer of the capital asset pricing model.

Sharpe ratio A measure of a portfolio's excess return relative to the total variability of the portfolio. Related: Treynor index. Named after William Sharpe, Nobel Laureate, and developer of the capital asset pricing model.

Shelf offering Offering of registered securities covered by a prospectus whose distribution is not underwritten on a firm commitment basis. The shares may be sold in one block or in small amounts from time to time in agency or principal transactions. See: Rule 415.

Shelf registration A procedure that allows firms to file one registration statement covering several issues of the same security. SEC Rule 415, adopted in the 1980s, allows a corporation to comply with registration requirements up to two years prior to a public offering of securities. With the registration "on the shelf," the corporation, by simply updating regularly filed annual, quarterly, and related reports to the SEC, can go to the market as conditions become favorable with a minimum of administrative preparation and expense.

Shell corporation An incorporated company with no significant assets or operations, often formed to obtain financing before beginning actual business, or as

a front tax evasion.

Shenzhen Stock Exchange One of two major securities markets in China.

Shiller, Robert /a> Yale University economist known for his work on behavioral economics. Nobel Laureate in 2013.

Shipper's Export Declaration (SED) Document required by the U.S. Department of Commerce for exports of certain controlled items, and/or shipments to certain countries, and/or shipments anywhere that exceed certain dollar amounts. This document is used to monitor shipments of controlled goods.

Shipping Documents A generic term for the various types of forms required for overseas shipments, such as commercial invoices, transport documents, packing lists, origin certificates, etc.

Shirking The tendency to do less work when the return is smaller. Owners may have more incentive to shirk if they issue equity as opposed to debt, because they retain less ownership interest in the company and therefore may receive a smaller return. Thus, shirking is considered an agency cost of equity.

SHN The three-character ISO 3166 country code for SAINT HELENA.

Shock absorbers See: Circuit breakers

Shogun bond Dollar bond issued in Japan by a nonresident.

Shootout Venture capital jargon. Refers to two or more venture capital firms fighting for the startup.

Shop Wall Street slang for a firm.

Shopped stock Sell inquiry that has been seen by or shown to other dealers before coming to an investment bank.

Shopping Seeking to obtain the best bid or offer available by calling a number of dealers and/or brokers.

Short One who has sold a contract to establish a market position and who has not yet closed out this position through an offsetting purchase; the opposite of a long position. Related: Long.

Short against the box A short sale of a stock is where the seller actually owns the stock, but does not want to close out the position.

Short Bias In the context of hedge funds, a style of management where part or all of the fund consists of short sales.

Short bonds Bonds with short (not much time to maturity) current maturities.

Short book See: Unmatched book.

Short coupon A bond payment covering less than six-months' interest, because the original issue date is less than six months from the first scheduled interest payment. A bond with a short time to maturity, usually two years or less.

Short covering Used in the context of general equities. Actual purchase of securities by a short seller to replace those borrowed at the time of a short sale.

Short end duration (SEDUR) Sensitivity of a portfolio value to changes in the short end of the yield curve.

Short end of the yield curve Refers to yields that are generally less than one year.

Short exempt Used for listed equity securities. A special trading situation where a short sale is allowed on a minustick. The owners of a convertible trading at parity can sell the equivalent amount of common short on a minus tick, assuming they have the firm intention to convert.

Short hedge The sale of futures contracts to eliminate or lessen the possible decline in value of an approximately equal amount of the actual financial instrument or physical commodity. Related: Long hedge.

Short interest Total number of shares of a security that investors have sold short and that have not been repurchased to close out the short position. Usually, investors sell short to profit from price declines. As a result, the short interest is often an indicator of the amount of pessimism in the market about a particular security, although there are other reasons to short that are not related to pessimism. For example, hedging strategies for mergers and acquisition as well as derivative positions may involve short sales.

Short interest theory The theory that a large interest in short positions in stocks will precede a rise in the market prices, because the short positions must eventually be covered by purchases of the stock.

Short position Occurs when a person sells stocks he or she does not yet own. Shares must be borrowed, before the sale, to make “good delivery” to the buyer. Eventually, the shares must be bought back to close out the transaction. This technique is used when an investor believes the stock price will drop.

Short ratio(or short interest ratio) Number of shares of a security that investors have sold short divided by average daily volume of the security (measured over 30 days or 90 days). There are various interpretations of this ratio. When people short, it is usually (but not always) because they are pessimistic about the security’s future performance. Shorting involves buying at at some point however. Hence, some would interpret a high short ratio as an indicator that there will be some buying pressure on the security that would increase its price.

Short sale Selling a security that the seller does not own but is committed to repurchasing eventually. It is used to capitalize on an expected decline in the security’s price.

Short selling Establishing a market position by selling a security one does not own in anticipation of the price of that security falling.

Short settlement Trade settlement made prior to the standard five-day period due to customer request.

Short squeeze When a lack of supply tends to force prices upward. In particular, when prices of a stock or commodity futures contracts start to move up sharply and many traders with short positions are forced to buy stocks or commodities in order to cover their positions and prevent (limit) losses. This sudden surge of buying leads to even higher prices, further aggravating the losses of short sellers who have not covered their positions.

Short straddle A straddle involves both purchase and sale. In short straddle one put and one call are sold.

Short tender Practice prohibited by SEC that involves the use of borrowed stock to respond to a tender offer.

Short-Form Registration A procedure that allows a firm to condense its registration statement and prospectus by referencing financial data already on file with the SEC.

Short-run operating activities Events and decisions concerning the short-term finance of a firm, such as how much inventory to order and whether to offer cash terms or credit terms to customers.

Short-sale rule An SEC rule requiring that short sales be made only in a market that is moving upward; this means either on an uptick from the last sale, or showing no downward movement.

Short-short test A repealed IRS restriction, that used to limit profits from short-term trading, which three months, to 30% of gross income. The penalty for exceeding this limit would be the loss of certain tax-free benefits.

Short-term Any investments with a maturity of one year or less.

Short-term bond fund A bond mutual fund holding short to intermediate-term bonds that have maturities of three to five years.

Short-term capital gain A profit on the sale of a security or mutual fund share that has been held for one year or less. A short-term capital gain is taxed as ordinary income.

Short-term debt Debt obligations, recorded as current liabilities, requiring payment within the year.

Short-term financial plan A financial plan that covers the coming fiscal year.

Short-term gain (or loss) A profit or loss realized from the sale of securities held for less than a year that is taxed at normal income tax rates if the net total is positive.

Short-term interest rates Interest rates on loan contracts-or debt instruments such as Treasury bills, bank certificates of deposit or commercial paper-having maturities of less than one year. Often called money market rates.

Short-term investment services Services that assist firms in making short-term investments.

Short-term reserves Investments in interest-bearing bank deposits, money market instruments, U.S. Treasury bills, and short-term bonds.

Short-term solvency ratios Ratios used to judge the adequacy of liquid assets for meeting short-term obligations as they come due, including (1) the current ratio, (2) the acid test ratio, (3) the inventory turnover ratio, and (4) the accounts receivable turnover ratio.

Short-term tax exempts Short-term securities issued by states, municipalities, and quasi-government entities such as local housing and urban renewal agencies.

Short-term trend Erratic price movements that last less than three weeks.

Shortage cost Costs that fall with increases in the level of investment in current assets.

Shortfall risk The risk of falling short of any investment target.

Shout option See deferred strike option.

Show and tell list Used in the context of general equities. Block list which is full of real customer indications (rather than profile).

Show me buyer/seller Used in the context of general equities. Customer who has not placed a firm order to buy stock but has requested that the salesperson propose available stock for sale or purchase, along with the asking/bid price. See: Bidding buyer.

Show stopper A legal barrier, such as a scorched-earth policy or shark repellent system, that firms use to prevent a takeover.

SHP The ISO 4217 currency code for the Saint Helena Pound.

Shrinkage Discrepancy between a firm's actual inventory and its recorded inventory due to theft, deterioration, loss, or clerical problems.

Shut out the book Used for listed equity securities. Exclude a public bid or offer from participation in a print.

SI The two-character ISO 3166 country code for SLOVENIA.

SIAC See: Security Industry Automated Corporation

SIC See: Standard Industrial Classification

Side effects Effects of a proposed project on other parts of the firm.

Side-by-side trading Trading a security and an option on the same security on the same exchange.

Sidecar In context of reinsurance, a sidecar is an insurance investment vehicle created by the reinsurance company. By investing in sidecar, investors can participate in the risk and return of a specific group of insurance policies and the liability of investors is limited to the funds of the sidecar. This structure became popular after Hurricane Katrina as a vehicle for reinsurers/insurers to add risk-bearing capacity and for investors to participate in the potential profits from a sharp increase in reinsurance premium.

Sidelines Hypothetical position referring to noninvolvement in a stock; merely watching.

Sideways market See: Horizontal price movement

Sight deposit account Similar to a demand deposit. Funds in a sight account can be transferred quickly without restriction to another account or converted into cash. Term is mainly used in Europe

Sight draft Demand for immediate payment.

Sight Letter of Credit A letter of credit made payable to a beneficiary upon presentation to the opener of conforming documents.

Signal To convey information through a firm's actions. The more costly it is to provide a signal, the more credibility it has. For example, to call a press conference and tell everyone that the firm's prospects have improved is less effective than saying the same thing and raising the dividend.

Signaling approach Notion that insiders in a firm have information that the market does not have, and that the choice of capital structure by insiders can signal information to outsiders and change the value of the firm. This theory is also called the asymmetric information approach.

Signaling approach (on dividend policy) The argument that dividend changes are important signals to investors about changes in management's expectation about future earnings.

Signature guarantee The authentication of a signature in the form of a stamp, seal, or written confirmation by a bank or member of a domestic stock exchange (or other acceptable guarantor). A notary public cannot provide a signature guarantee. A signature guarantee is a common requirement when transferring or redeeming shares or changing the ownership of an account.

Signature loan A good faith loan that is unsecured and requires only the borrower's signature on the loan application.

Signatures on Proxies The basic rule of acceptability is that if the signature reads as the proxy is printed, it is acceptable. If an individual signs on behalf of another individual and states a legal representation, it is acceptable. Examples: executor, guardian, power of attorney; but not husband, wife, next of kin, etc. On corporate registrations, a manual signature in the name of the corporation is acceptable. A facsimile signature is also acceptable, but a rubber-stamp signature with a signature line is acceptable only if signed on that line. With joint tenancy, one signature is sufficient, as in the case of one trustee signing for two or more.

Significant influence The holding of a large portion of the equity of a corporation, usually at least 20%, which gives the holder a significant amount of control over the corporation. This degree of holding must be recorded in a firm's financial statements.

Significant order An order to buy or sell a large enough quantity of securities that the price of the security may be affected. Institutional investors usually spread out such an order over a few days or weeks to avoid adverse pressures on the buy or sell price.

Significant order imbalance A large number of buy or sell orders for a stock that cause an abnormally wide spread between bid and offer prices, and often causes the exchange to halt the sale of the stock until significant balance has been reestablished.

Silent partner A partner in a business who has no role in management but shares in the liability, tax responsibility, and cash flow.

Silver Parachutes These provisions are similar to Golden Parachutes in that they provide severance payments upon a change in corporate control, but unlike Golden Parachutes, a large number of a firm's employees are eligible for these benefits.

SIMEX See: Singapore International Monetary Exchange

SIMFA See: Securities Industry and Financial Markets Association.

Simple compound growth method Calculating a growth rate by relating terminal value to initial value and assuming a constant percentage annual rate of growth between the two values.

Simple interest Interest calculated as a simple percentage of the original principal amount. Compare to compound interest.

Simple IRA A salary deduction plan for retirement benefits provided by some small companies with no more than 100 employees.

Simple linear regression A regression analysis between only two variables, one dependent and the other explanatory.

Simple linear trend model An extrapolative statistical model that asserts that earnings have a base level and grow at a constant amount each period.

Simple moving average The mean, calculated at any time over a past period of fixed length.

Simple prospect An investment opportunity in which only two outcomes are possible.

Simple rate of return The return from investments figured by dividing income plus capital gains by the amount of capital invested. The effect of compounding is not taken into account.

Simplified Employee Pension (SEP) plan A pension plan in which both the employee and the employer contribute to an individual retirement account. Also available to the self-employed.

Simulation The use of a mathematical model to imitate a situation many times in order to estimate the likelihood of various possible outcomes. See: Monte Carlo simulation.

Singapore International Monetary Exchange (SIMEX) A leading futures and options exchange in Singapore.

Single European Act Act intended to eliminate barriers on trade and capital flows between and among European countries.

Single life annuity An annuity covering one person. A straight life annuity provides payments until death, while a life annuity with a guaranteed period provides payments until death or continues payments to a beneficiary for a guaranteed term, such as ten years.

Single option A single put option or call option, as opposed to a spread or straddle, which involves multiple puts and calls.

Single-buyer policy Ex-Im Bank practice allows the exporter to insure certain transactions selectively.

Single-country fund A mutual fund that invests in individual countries outside the United States.

Single-factor model A model of security returns that acknowledges only one common factor. The single factor is usually the market return. See: Factor model.

Single-index model A model of stock returns that decomposes influences on returns into a systematic factor, as measured by the return on the broad market index, and firm specific factors. Related: Market Model

Single-payment bond A bond that makes only one payment of principal and interest.

Single-Premium Deferred Annuity (SPDA) An IRA-like annuity into which an investor makes a lump-sum payment that is invested in either a fixed-return instrument or a variable-return portfolio, which is taxed only when distributions are taken.

Single-premium life insurance A whole life insurance policy requiring one premium payment, which accrues cash value much more quickly than a policy paid in installments.

Single-state municipal bond fund A mutual fund investing only in government obligations within a single state, with state tax-free dividends, but taxed capital gains.

Sinker A bond with interest and principal payments coming from the proceeds of a sinking fund.

Sinking fund A fund to which money is added on a regular basis that is used to ensure investor confidence that promised payments will be made and that is used to redeem debt securities or preferred stock issues.

Sinking fund requirement A condition included in some corporate bond indentures that requires the issuer to retire a specified portion of debt each year. Any principal due at maturity is called the balloon maturity.

SIT The ISO 4217 currency code for the Slovenian Tolar.

Sit tight Directive from the trader to the customer to be patient, emphasizing that one's piece of business will be executed.

Size Refers to the magnitude of an offering, an order, or a trade. Large as in the size of an offering, the size of an order, or the size of a trade. Size is relative from market to market and security to security. "I can buy size at 102-22," means that a trader can buy a significant amount at 102-22. Small is shares. Medium is 15,000-25,000 shares. Good is 50,000 shares. Size is 100,000 shares. Good six-figure size is 200,000-300,000 shares. Multiple six-figure size is >300,000 shares. Size of the market is actual number of shares represented in one's market, or bid and offering; unless specified, assumed to be at least 500 to 1000 shares, depending on the stock.

Size out the book Overt action to exclude a public bid or offer from participation in a print through trading a larger size in the book. Can never size out a market order. See: Priority, shut out the book.

SJ The two-character ISO 3166 country code for SVALBARD AND JAN MAYEN.

SJM The three-character ISO 3166 country code for SVALBARD AND JAN MAYEN.

SK The two-character ISO 3166 country code for SLOVAKIA.

Skewed distribution Probability distribution in which an unequal number of observations lie below (negative skew) or above (positive skew) the mean.

Skewness Negative skewness means there is a substantial probability of a big negative return. Positive skewness means that there is a greater-than-normal probability of a big positive return.

Skill The ability to accurately forecast returns. We measure skill using the information coefficient.

Skip-day settlement Settling a trade one business day beyond what is normal.

Skip-payment privilege A mortgage contract clause giving borrowers the right to skip payments if they are ahead of schedule.

SKK The ISO 4217 currency code for the Slovak Republic Koruna.

Skort-Swing Transaction Any purchase and sale, or sale and purchase, of the issuer's equity securities by an insider within a period of less than six months, See: Section 16(b) above.

SL The two-character ISO 3166 country code for SIERRA LEONE.

SLB The three-character ISO 3166 country code for SOLOMON ISLANDS.

SLD last sale Shortened version of "sold last sale," which shows up on the consolidated tape when a large change (one point for lower priced securities and two points for higher-priced securities) occurs between transactions.

SLE The three-character ISO 3166 country code for SIERRA LEONE.

Sleeper Stock in which there is little investor interest but that has significant potential to gain in price once its attractions are recognized. Antithesis of high flyer.

Sleeping beauty Often used in risk arbitrage. Potential takeover target that has not yet been approached by an acquirer. Such a company usually has particularly attractive features, such as a large amount of cash, or undervalued real estate or other assets.

Slippage The difference between estimated transactions costs and actual transactions costs. The difference usually represents revisions to price difference or spread and commission costs.

SLL The ISO 4217 currency code for the Sierra Leone Leone.

Slump A temporary fall in performance, often describing consistently falling security prices for several weeks or months.

SLV The three-character ISO 3166 country code for EL SALVADOR.

SM The two-character ISO 3166 country code for SAN MARINO.

Small business policy Insurance coverage available to new exporters and small businesses.

Small investor An individual person investing in small quantities of stock or bonds. This group of investors makes up a minimal fraction of total stock ownership.

Small issues exemption Securities issues that involve less than \$1.5 million are not required to file a registration statement with the SEC. Instead, they are governed by Regulation A, for which only a brief offering statement is needed.

Small Order Execution System (SOES) Three-tiered system of automatic execution of an order at the best price. Size is either 200, 500, or, most often, 1000 shares.

Small-cap A stock with a small capitalization, meaning a total equity value of less than \$500 million.

Small-capitalization (small cap) stocks The stocks of companies whose market value is less than \$1 billion. Small-cap companies tend to grow faster than large-cap companies and typically use any profits for expansion rather than pay dividends. They also are more volatile than large-cap companies, and have a higher failure rate.

Small-capitalization (small-cap) fund A mutual fund that invests primarily in stocks of companies whose market value is less than \$1 billion. Small-cap stocks historically have been more volatile than large-cap stocks, and often perform differently from the overall market.

Small-firm effect The tendency of small firms (in terms of total market capitalization) to outperform the stock market (consisting of both large and small firms).

Smart money Investors who make consistent profits in the market, regardless of the investing environment, by making wise, educated moves.

SMBS See: Stripped mortgage backed securities

SMEs Small and medium-sized enterprises

Smidge Small amount of price, usually $\pm 1/8$ or $1/4$.

Smithsonian Agreement A revision to the Bretton Woods international monetary system that was signed at the Smithsonian Institution in Washington, D.C., in December 1971. Included were a new set of par values, widened bands to $\pm 2.25\%$ of par, and an increase in the official value of gold to US\$38.00 per ounce.

SMR The three-character ISO 3166 country code for SAN MARINO.

SN The two-character ISO 3166 country code for SENEGAL.

Snake Arrangement established in 1972, that ties European currencies to each other within specified limits.

Snowballing Used in the context of general equities. Process by which the exercise of stop orders in a declining or advancing market causes further downward or upward pressure on prices, thus triggering more stop orders and more price pressure, and so on.

SO The two-character ISO 3166 country code for SOMALIA.

Social Security benefits Monthly government payments to retired workers or their families who have paid Social Security taxes for a total of 40 quarters or 10 years.

Social Security Disability Income Insurance Program financed by the Social Security tax to provide assistance to disabled individuals with disabilities expected to last at least one year, to compensate for lost income.

Socially conscious mutual fund A mutual fund that does not invest in companies that have interests in socially unacceptable markets or produce harmful products or by-products, such as high levels of environmental pollution.

Society for Worldwide Interbank Financial Telecommunications (SWIFT) A dedicated computer network to support funds transfer messages internationally between over 9,000 financial institutions in over 200 countries.

SOES See: Small Order Execution System

Soft currency The money of a country that is expected to drop in value relative to other currencies.

Soft dollars The value of research services that brokerage houses supply to investment managers “free of charge” in exchange for the investment manager’s business commissions.

Soft landing A term describing a growth rate high enough to keep the economy out of recession, but also slow enough to prevent high inflation and interest rates.

Soft market A buyer’s market in which supply exceeds demand, causing little trading activity and wide bid-ask spreads.

Soft spot Stocks or groups of stocks that remain weak in a strong market.

Softs Tropical commodities such as coffee, sugar, and cocoa.

Sold away Refers to over-the-counter trading. Having sold stock to another dealer before making the present offering.

Sold-out market Unavailability of a futures contract in a particular commodity or maturity date because of contract executions and limited offerings.

Sole proprietorship A business owned by a single individual. A sole proprietor pays no corporate income tax but has unlimited liability for business debts and obligations.

Solvency Ability to meet obligations.

SOM The three-character ISO 3166 country code for SOMALIA.

SOS The ISO 4217 currency code for the Somalian Shilling.

Sour bond A bond issue that has defaulted on interest or principal payments, and will thus trade at a large discount and a poor credit rating.

Source of funds seller Customer seller of stock for the purpose of raising cash for other purchases. Such a seller will sell only at advantageous prices, and not aggressively.

Sources and applications of funds statement See: Statement of cash flows

South African Futures Exchange (SAFEX) Electronic futures and options exchange based in South Africa.

Sovereign risk The risk that a central bank will impose foreign exchange regulations that will reduce or negate the value of foreign exchange contracts. Also refers to the risk of government default on a loan made to a country or guaranteed by it. The government's part of political risk.

Sovereign Wealth Fund (SWF) Funds owned by sovereign nations that invest the savings of an entire state, foreign exchange reserves, or excess liquidity.

SOXS See: Sarbanes Oxley Act of 2002

Spaceman (Spacemen) Spaceman is an entity specifically created to assist in tax evasion. Popular in Russia in 2000s. Spacemen are typically registered in the names of people who have lost identification. They are special purpose vehicles that do not perform any real activities and pay zero or minimal tax. They are called “space”men because they exist for a very for a short period of time (usually 6 months to 2 years) and then disappear (into space). This type of firm is also called a “dump,” “flash-light,” “bruise,” and “hedgehog.”

Span To cover all contingencies within a specified range.

SPDR The Standard and Poor’s depositary receipt. This is a tracking stock which trades like an index mutual fund which follows the S&P 500. It trades continuously. SPDRs SPDRs (Spiders) are designed to track the value of the Standard & Poor’s 500 Composite Price Index. Stands for Standard & Poor’s Depositary Receipt. They trade on the American Stock Exchange under the symbol SPY. SPDRs are similar to closed-end funds but are formally known as, a unit investment trust. One SPDR unit is valued at approximately one-tenth (1/10) of the value of the S&P 500. Dividends are disbursed quarterly, and are based on the accumulated stock dividends held in trust, less any expenses of the trust. See: Mid-cap SPDR.

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Special arbitrage account A margin account with lower cash requirements, reserved for transactions that are hedged by an offsetting position in futures or options.

Special assessment bond A municipal bond with interest paid by the taxes of the community benefiting from the bond-funded project.

Special bid A method of purchasing a large block of stock on the NYSE by advertising a client's large buy order, and matching it up with a number of other traders' smaller sell orders.

Special bond account A special broker margin account used only for transactions in US government bonds, municipals, and eligible listed and unlisted non-convertible corporate bonds.

Special Claim on Residual Equity (SCORE) A certificate that entitles the owner to the capital appreciation of an underlying security, but not to the dividend income from the security.

Special dividend Also referred to as an extra dividend. Dividend that is unlikely to be repeated.

Special Drawing Rights (SDR) A form of international reserve assets, created by the IMF in 1967, whose value is based on a portfolio of widely used currencies.

Special Meeting Refers to a meeting of shareholders outside the usual annual general meeting. In the context of corporate governance, some limitations either increase the level of shareholder support required to call a special meeting beyond that specified by state law or eliminate the ability to call one entirely. Such provisions add an extra time delay to many proxy fights, since bidders must wait until the regularly scheduled annual meeting to replace board members or dismantle takeover defenses.

Special-Purpose Entity A financing technique in which a company decreases its risk by creating separate partnerships, rather than subsidiaries, for certain holdings and solicits outside investors to take on the risk. In order to qualify as a special-purpose entity, whose financial results are not carried on the company's books, the unit must meet strict accounting guidelines. Compare to subsidiary.

Specialist On an exchange, the member firm that is designated as the market maker (or dealer for a listed common stock). Member of a stock exchange who maintains a "fair and orderly market" in one or more securities. Only one specialist can be designated for a given stock, but dealers may be specialists for several stocks. In contrast, there can be multiple market makers in the OTC market. Major functions include executing limit orders on behalf of other exchange members for a portion of the floor broker's commission, and buying

or selling for the specialist's own account to counteract temporary imbalances in supply and demand and thus prevent wide swings in stock prices.

Specialist block purchase and sale Purchase of a large number of securities by a specialist for himself or to pass on to another floor trader or block buyer.

Specialist market Market in a stock made solely by the specialist, as no public orders, and henceforth no depth, exist in the market.

Specialist unit A specialist who maintains a stable market by acting as a principal and agent for other brokers in one or many stocks.

Specialist's book Chronological record maintained by a specialist that includes the specialist's own inventory of securities, market orders to sell short, and limit orders and stop orders that other stock exchange members have placed with the specialist.

Specialist's short-sale ratio The percentage of the total short sales of stock sold short by specialists.

Specialness Difference between interest earned on a specific stock loan's collateral and the prevailing interest rate for stock loan collateral. A typical stock has specialness equal to zero. When there is positive specialness, a stock is said to be on special.

Specific issues market The market in which dealers reverse in securities they wish to short.

Specific Return The part of the excess return not explained by common factors. The specific return is independent of (uncorrelated with) the common factors and the specific returns to other assets. It is also called the idiosyncratic return.

Specific risk See: Unique risk

Spectail A dealer doing business with retail but concentrating more on acquiring and financing its own speculative positions.

Speculation Purchasing risky investments that present the possibility of large profits, but also pose a higher-than-average possibility of loss. A profitable strategy over the long term if undertaken by professionals who hedge their portfolios to control the amount of risk.

Speculative Securities that involve a high level of risk.

Speculative demand (for money) The need for cash to take advantage of investment opportunities that may arise.

Speculative motive A desire to hold cash in order to be poised to exploit any attractive investment opportunity requiring a cash expenditure that might arise.

Speculative stock Very risky stock.

Speculative-grade bond Bond rated Ba or lower by Moody's, or BB or lower by S&P, or an unrated bond. See: Junk Bond

Speculator One who attempts to anticipate price changes and, through buying and selling contracts, aims to make profits. A speculator does not use the market in connection with the production, processing, marketing, or handling of a product. See: Trader.

Speed Related: Prepayment speed

Spider See: SPDRs

Spike Order ticket that shows the stock, price, number of shares, type, and account of the order. Origin: Practice of placing the ticket on a metal spike upon execution or cancellation. Spike is also a sudden, drastic increase in a company's share price.

Spin-off A company can create an independent company from an existing part of the company by selling or distributing new shares in the so-called spin-off.

Spinning In investment banking, the practice of an investment bank setting aside portions of a corporation's Initial Public Offering for senior management of that corporation. Ethically questionable practice which appears to be a form of bribery.

SPINs Stands for Standard & Poor's 500 Index Subordinated Notes.

Split Sometimes companies split their outstanding shares into more shares. If a company with 1 million shares executes a two-for-one split, the company would have 2 million shares. An investor with 100 shares before the split would hold 200 shares after the split. The investor's percentage of equity in the company remains the same, and the share price of the stock owned is one-half the price of the stock on the day prior to the split.

Split commission A commission shared between a broker and a financial adviser or other professional who brought the customer to the broker.

Split offering A municipal bond issue that is made up of serial bonds and term maturity bonds.

Split order A large securities transaction that is divided into smaller orders that are spread out over some period of time to avoid large fluctuations in the market price.

Split print Block trade printed at two different prices. Often used in dividend rolls to get an average price equal to the dividend.

Split rating Two different ratings given to the same security by two important rating agencies.

Split stock (1) Purchases or sales shared with others. (2) Division of the outstanding shares of a corporation into a large number of shares. Ordinarily, splits must be proposed by directors and approved by shareholders.

Split-coupon bond A bond that begins as a zero-coupon bond paying no interest and converts to an interest paying bond on a future date.

Split-fee option An option on an option. The buyer generally executes the split fee with first an initial fee, with a window period at the end of which (upon payment of a second fee) the original terms of the option may be extended to a later predetermined final notification date.

Split-rate tax system A tax system that taxes retained earnings at a higher rate than earnings that are distributed as dividends.

SPM The three-character ISO 3166 country code for SAINT PIERRE AND MIQUELON.

Spoken for Amount of opposite demand (placement) or supply (availability) the trader has in efforts to cross the stock. Not open.

Sponsor An underwriting investment company that offers shares in its mutual funds, or an influential institution that highly values a particular security and thus creates additional demand for the security. In the context of project financing, a developer of the project or a party providing financial support.

Sponsor loan A sponsor loan allows a parent or other creditworthy person to borrow on behalf of a student and take full responsibility for the loan. The sponsor loan is under the name of the sponsor borrower only.

Spontaneous Current Liabilities Short-term obligations that automatically increase and decrease in response to financing needs, such as accounts payable.

Spontaneous Liabilities Obligations that arise automatically in the course of operating a business when a firm buys goods and services on credit.

Spot commodity A commodity that is traded with the expectation of actual delivery, as opposed to a commodity future that is usually not delivered.

Spot exchange rates Exchange rate on currency for immediate delivery. Related: Forward exchange rate.

Spot futures parity theorem Describes the theoretically correct relationship between spot and futures prices. Violation of the parity relationship gives rise to arbitrage opportunities.

Spot interest rate Interest rate fixed today on a loan that is made today. Related: Forward interest rates.

Spot lending Originating mortgages by processing applications taken directly from prospective borrowers.

Spot markets Related: Cash markets

Spot month The nearest delivery month on a futures contract.

Spot price The current market price of the actual physical commodity. Also called cash price. Current delivery price of a commodity traded in the spot market, in which goods are sold for cash and delivered immediately. Antithesis of futures price.

Spot rate The theoretical yield on a zero-coupon Treasury security.

Spot rate curve The graphical depiction of the relationship between the spot rates and maturity.

Spot secondary Secondary distribution that may not require an SEC registration statement and may be attempted without delay. An underwriting discount is normally included in these offerings.

Spot trade The purchase and sale of a foreign currency, commodity, or other item for immediate delivery.

Spot transaction A foreign exchange transaction in which each party promises to pay a certain amount of currency to the other on the same day or within one or two days.

Spousal IRA An individual retirement account in the name of an unemployed spouse.

Spousal remainder trust A fixed-term trust from which income is distributed to the beneficiary (such as a child of the grantor) to take advantage of a lower tax bracket, and that at the end of the term passes to the grantor's spouse.

Spread (1) The gap between bid and ask prices of a stock or other security. (2) The simultaneous purchase and sale of separate futures or options contracts for the same commodity for delivery in different months. Also known as a straddle. (3) Difference between the price at which an underwriter buys an issue from a firm and the price at which the underwriter sells it to the public. (4) The price an issuer pays above a benchmark fixed-income yield to borrow money.

Spread income Also called margin income, the difference between income and cost. For a depository institution, the difference between the assets it invests in (loans and securities) and the cost of its funds (deposits and other sources).

Spread option A position consisting of the purchase of one option and the sale of another option on the same underlying security with a different exercise price and/or expiration date.

Spread order An order listing the series of options that the customer wants to buy and sell and the desired spread between the premiums paid and received for the options.

Spread position The status of an account after a spread order has been carried out.

Spread strategy A strategy that involves a position in one or more options so that the cost of buying an option is funded entirely or in part by selling another option in the same underlying. Also called spreading.

Spreadsheet A computer program that organizes numerical data into rows and columns in order to calculate and make adjustments based on new data.

Sprinkling trust A trust in which the trustee decides how to distribute trust income among a group of designated people.

SPX Applies to derivative products. Symbol for the S&P 500 index.

Squeeze Period when stocks or commodities futures increase in price and investors who have sold short must cover their short positions to prevent loss of large amounts of money.

SRB The three-character ISO 3166 country code for SERBIA.

SRG The ISO 4217 currency code for the Surinam Guilder.

SS1 Securities sales speaker box that transmits to all investment banks' regional trading and sales desks.

ST The two-character ISO 3166 country code for SAO TOME AND PRINCIPE.

Stability The relative steadiness or safety of a security or fund compared to the market as a whole. For example, money market funds and other short-term investments offer more stability than funds that invest in growth stocks.

Stabilization The action undertakes a country when it buys and sells its own currency to protect its exchange value. Actions registered competitive traders undertake by on the NYSE to meet the exchange requirement that 75% of their traded be stabilizing, meaning that sell orders follow a plus tick and buy orders a tick. Actions a managing underwriter undertake so that the market price does not fall below the public offering price during the offering period

Stable Paretian, or Fractal Hypothesis In the characteristic function of the fractal family of distributions, the characteristic exponent α can range between one and two. See: Alpha, Fractal Distributions, Gaussian.

Stag Speculator who buys and sells stocks to hold for short intervals to make quick profits.

Stagflation A period of slow economic growth and high unemployment with rising prices (inflation).

Staggered board of directors Occurs when a portion of directors are elected periodically, instead of all at once. Board terms are often staggered in order to thwart unfriendly takeover attempts, since potential acquirers would have to wait longer before they could take control of a company's board through the normal voting procedure.

Staggering maturities Hedging against interest rate movements by investment in short-, medium-, and long-term bonds.

Stagnation A period of slow economic growth, or, in securities trading, a period of inactive trading.

Stakeholders All parties that have an interest, financial or otherwise, in a firm—stockholders, creditors, bondholders, employees, customers, management, the community, and the government.

Stale price An old price of the asset that does not reflect the most recent information.

Stale price arbitrage For a number of assets, the most recent transaction price at 4PM ET does not fully reflect all available market information. One example is international equities that trade on exchanges that are located in different time zones and close 2-15 hours before U.S. markets. In addition, domestic small-capitalization equities and high-yield and convertible bonds often trade infrequently and have wide bid-ask spreads. This can cause the most recent transaction price to be much different from the price that one would see in a liquid market at 4 PM, even for assets that trade on exchanges that are open at that time. Investors can take advantage of mutual funds that calculate their

NAVs using stale closing prices by trading based on recent market movements. For example, if the U.S. market has risen since the close of overseas equity markets, investors can expect that overseas markets will open higher the following morning. Investors can buy a fund with a stale-price NAV for less than its current value, and they can likewise sell a fund for more than its current value on a day that the U.S. market has fallen. Similar opportunities exist when the values of infrequently or illiquidly-traded domestic assets have recently changed. With normal market arbitrage, as more traders learn where to buy an item at relatively low cost and where to sell it at relatively high value, market pressures from such traders tend to stabilize prices. With stale price arbitrage, there is no corresponding pressure for market correction. That is, a fund always pays the going market rate even if that fund has an agreement with its customers to only charge them the price from the prior day closing. Accordingly, even if such agreements ultimately impact the prices of trades by the mutual funds, there is no impact on the price paid by the customer of the mutual fund. In that sense, the stale price arbitrage opportunity can last as long as a mutual fund honors its stale price agreement with its customers. Also referred to as Net Asset Value Arbitrage or NAV Arbitrage.

Stalking horse In bankruptcy proceedings, this refers to the company that first bids for the companies assets.

Stalking horse bid In bankruptcy proceedings, this refers to first bid for the companies assets. This is the bid to beat. If there are multiple bids, often there is a bankruptcy auction.

Stamp duty Applies mainly to international equities. Taxes on foreign transactions, usually a percentage of total transaction amount, that can be unilateral or bilateral in nature.

Stamp tax Tax on a financial transaction.

Stand up to Make a good-sized market in the trader's own bid and offering prices. Hence, "standing up" to the bid signifies the trader's willingness to buy size (i.e., 50m) volume at the advertised bid, even if the customer buyer/seller falls down.

Stand-alone principle Investment approach that advocates a firm should accept or reject a project by comparing it with securities in the same risk class.

Standard & Poor's MidCap 400 Index A market capitalization-weighted benchmark index made up of 400 securities with market values between \$200 million and \$5 billion.

Standard & Poor's SmallCap 600 Index A small-capitalization benchmark index made up of 600 domestic stocks chosen for market size, liquidity, and industry group representation.

Standard deduction The IRS-specified amount by which a taxpayer is entitled to reduce income an alternative to itemizing deductions.

Standard deviation The square root of the variance. A measure of dispersion of a set of data from its mean.

Standard error In statistics, a measure of the possible error in an estimate. Plus or minus 2 standard errors usually provides a 95% confidence interval.

Standard Industrial Classification (SIC) A code system that designates a unique business activity classified by industry.

Standardized normal distribution A normal distribution with a mean of 0 and a standard deviation of 1.

Standardized value Also called the normal deviate, the distance of one data point from the mean, divided by the standard deviation of the distribution.

Standby agreement In a rights issue, agreement that the underwriter will purchase any stock not purchased by investors.

Standby commitment An agreement between a corporation and investment firm that the firm will purchase whatever part of a stock issue that is offered in a rights offering that is not subscribed to in the two- to four- week standby period.

Standby fee Amount paid to an underwriter who agrees to purchase any stock that is not purchased by public investors in a rights offering.

Standby letter of credit Agreement to guarantee invoice payments to a supplier; a standby LOC promises to pay the seller if the buyer fails to pay. Standby letter of credit Agreement to guarantee invoice payments to a supplier; a standby LOC promises to pay the seller if the buyer fails to pay.

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Standing Level of priority in the trading crowd.

Standstill agreement Contract by which the bidding firm in a takeover attempt agrees to limit its holdings of another firm.

Start-up The earliest stage of a new business venture.

State and local government series (SLUGs) Special nonmarketable certificates, notes, and bonds offered to state and local governments as a means to invest proceeds from their own tax-exempt financing. Interest rates and maturities comply with IRS arbitrage provisions. Slugs are offered in both time deposit and demand deposit forms. Time deposit certificates have maturities of up to one year. Notes mature in one to ten years and bonds mature in more than ten years. Demand deposit securities are one-day certificates rolled over with a rate adjustment daily.

State bank A bank authorized in a specific state by a state-based charter, with generally the same functions as a national bank.

State tax-exempt income fund A mutual fund that seeks current income exempt from federal and a specific state's income taxes.

State-Build-Own-Operate (SBOO) Approach One of the two main approaches in financing the large-scale infrastructure projects. The State (the government)

builds, owns, and operates the infrastructure project without the involvement of private enterprises. The second main approach is known as Build-Operate-Transfer (BOT) Approach or Public-Private-Partnership (PPP) Approach.

Stated annual interest rate The interest rate expressed as a per year percentage, by which interest payments are determined. See: Annual percentage rate.

Stated conversion price At the time of issuance of a convertible security, the price the issuer effectively grants the securityholder to purchase the common stock, equal to the par value of the convertible security divided by the conversion ratio.

Stated maturity For the CMO tranche, the date the last payment would occur at zero CPR.

Stated value A monetary worth figure that bears no relation to market value that is assigned, for accounting purposes, to stock for use instead of par value.

Statement billing Billing method in which the sales for a period such as a month (for which a customer also receives invoices) are collected into a single statement, and the customer must pay all the invoices represented on the statement.

Statement of Additional Information (SAI) A document provided as a supplement to a mutual fund prospectus. It provides more detailed information about fund policies, operations, and risks. Also known as a Part B prospectus.

Statement of Cash Flows A financial statement showing a firm's cash receipts and cash payments during a specified period.

Statement of condition A document describing the status of assets, liabilities, and equity of a person or business at a particular time.

Statement of Financial Accounting Standards No. 157 Fair value measurements accounting standard issued in September 2006 by the Financial Accounting Standards Board (FASB). FAS 157 became effective for entities with fiscal years beginning after November 15, 2007. For investment securities held by a company, there are three different classifications: Trading securities, Available for sale securities, and Held to maturity securities. Currently, under GAAP, Trading

and Available for sale securities are recorded at fair market value, while Held to maturity securities are recorded at original cost.

Statement of Financial Accounting Standards No. 52 The currency translation standard currently used by US firms. It mandates the use of the current rate method. See: Statement of Financial Accounting Standards No. 8.

Statement of Financial Accounting Standards No. 8 The is a currency translation standard once used by U.S. accounting firms. See: Statement of Accounting Standards No. 52.

Static theory of capital structure Theory that the firm's capital structure is determined by a trade-off of the value of tax shields against the costs of bankruptcy.

Stationary time series A longitudinal measure in which the process generating returns is identical over time.

Statistical Arbitrage In the context of hedge funds, a style of management that employs complex statistical models that try to capture small abnormalities in a security's intraday return.

Statistical inference A statistical method of drawing conclusions on unknown properties of a population based on a random sampling of data from that population.

Statistical tracking error Used in the context of general equities. Standard deviation of the difference between the portfolio return and the desired investment benchmark return.

Statutory debt limit The cap that Congress imposes on the amount of public debt that may be outstanding whether temporary or permanent. When this limit is reached, the Treasury may not sell new debt issues until Congress raises the limit. For a detailed listing of changes in the limit since 1941, see Budget of the United States Government. See: Debt outstanding subject to limitation.

Statutory investment An investment that a trustee is authorized to make under state law.

Statutory merger A merger in which one corporation remains as a legal entity, instead of a new legal entity being formed.

Statutory surplus The surplus of an insurance company determined by the accounting treatment of both assets and liabilities as established by state statutes.

Statutory voting The standard rule in most corporations that there is one vote per share in elections of the Board of Directors.

Staying power The ability of an investor to stay in the market and not to sell out of a position when an investment has fallen in value.

STD The three-character ISO 3166 country code for SAO TOME AND PRINCIPE.

Steady state As an MBS pool ages, or four to six months after component mortgages have passed at least once the threshold for refinancing, the prepayment speed tends to stabilize within a fairly steady range.

Steenth $1/16$ (0.0625) of one full point in price. Often used in negotiations to compromise an eighth difference, and in options trading.

Steepening of the yield curve A change in the yield curve where the spread between the yield on a long-term and short-term Treasury has increased. Compare flattening of the yield curve and butterfly shift.

Step aside Allow a block to trade at a price at which you do not care to participate in the trade.

Step up To increase, as in step up the tax basis of an asset.

Step-down note A floating-rate note whose interest rate declines after a specified period of time.

Step-up bond A bond that pays a lower coupon rate for an initial period, and then increases to a higher coupon rate. Related: Deferred-interest bond, payment-in-kind bond.

Step-up swap An interest rate swap on which the notional principal increases according to a predetermine schedule.

Sterilization Refers to a policy undertaken by a Central bank whereby they purchase bonds in the open market (thereby increasing money supply) but at the same time sell other bonds or bills with the same value (thereby decreasing money supply). The impact is neutral on money supply. However, the impact is not necessarily neutral on risk. A recent example is the European Central Banking purchasing junk or near junk sovereign bonds and sterilizing by selling higher quality bonds.

Sterilized intervention Foreign exchange market activity by which monetary authorities insulate their domestic money supplies from the foreign exchange transactions with offsetting sales or purchases of domestic assets.

Sticky deal A new securities issue that may be difficult to sell because of problems in the market or underlying problems with the corporation.

Stochastic models Liability-matching models that assume that the liability payments and the asset cash flows are uncertain. Related: Deterministic models.

Stochastics index A computerized tool measuring overbought and oversold conditions in a stock over a certain period.

Stock Ownership of a corporation indicated by shares, which represent a piece of the corporation's assets and earnings.

Stock ahead When two or more orders for a stock at a certain price arrive about the same time, and the exchange's priority rules take effect. NYSE rules stipulate that the bid made first should be executed first, or, if two bids come in

at once, the bid for the larger number of shares receives priority. The bid that is not executed is then turned to the broker, who informs the customer that the trade was not completed because there was “stock ahead.”

Stock Appreciation Right (SAR) A contractual right, often granted in tandem with an option that allows an individual to receive cash or stock of a value equal to the appreciation of the stock from the grant date to the date the SAR is exercised.

Stock Appreciation Rights An incentive scheme for employees similar to stock options. The employee get the increase in the stock price from the date of the grant to the date of the exercise. However, in contrast to options, there is no dilutive effect. That is, no shares are issued. Similar to options, if the company's stock falls in value, the appreciation right is worthless.

Stock bonus plan A plan used as an incentive that rewards employee performance with stock in the company.

Stock buyback A corporation's purchase of its own outstanding stock, usually in order to raise the company's earnings per share.

Stock certificate A document representing the number of shares of a corporation owned by a shareholder.

Stock dividend Payment of a corporate dividend in the form of stock rather than cash. The stock dividend may be additional shares in the company, or it may be shares in a subsidiary being spun off to shareholders. Stock dividends are often used to conserve cash needed to operate the business. Unlike a cash dividend, stock dividends are not taxed until sold.

Stock Exchange Automated Quotation System (SEAQ) London's Nasdaq system.

Stock Exchange of Hong Kong (SEHK) Only stock exchange located in Hong Kong.

Stock Exchange of Singapore (SES) The only stock exchange in Singapore.

Stock Exchange of Thailand The major securities market of Thailand.

Stock Exchange, Mumbai (BSE) Formerly the Bombay stock exchange, the BSE accounts for more than one-third of Indian trading volume.

Stock exchanges Formal organizations, approved and regulated by the Securities and Exchange Commission (SEC), that are made up of members who use the facilities to exchange certain common stocks. The two major national stock exchanges are the New York Stock Exchange (NYSE) and the American Stock Exchange (ASE or AMEX). Five regional stock exchanges include the Midwest, Pacific, Philadelphia, Boston, and Cincinnati. The Arizona Stock Exchange is an after-hours electronic marketplace where anonymous participants trade stocks via personal computers.

Stock index Index like the Dow Jones Industrial Average that tracks a portfolio of stocks.

Stock Index Future A security that uses composite stock indexes to allow investors to speculate on the performance of the entire market, or to hedge against losses in long or short positions. The settlement of the contracts is in cash.

Stock index option An option in which the underlying is a common stock index.

Stock index swap A swap involving a stock index. The other asset involved in a stock index swap can be another stock index (a stock-for-stock swap), a debt index (a debt-for-stock swap), or any other financial asset or financial price index.

Stock insurance company An insurance company owned by a group of stockholders, who are not necessarily policyholders.

Stock jockey A stock broker who frequently buys and sells shares in a client's portfolios.

Stock list The department within a stock exchange that oversees compliance with listing requirements and exchange regulations.

Stock market Also called the equity market, the market for trading equities.

Stock option An option whose underlying asset is the common stock of a corporation.

Stock power A power of attorney form giving ownership of a security to another person, brokerage firm, bank, or lender after it has been sold or pledged to that party.

Stock purchase plan A plan allowing employees of a company to purchase shares of the company, often at a discount or with matching employer funds.

Stock rating An evaluation by a rating agency of the expected financial performance or inherent risk of common stocks.

Stock record The accounting a brokerage firm keeps of all securities held in inventory.

Stock replacement strategy A strategy for enhancing a portfolio's return, used when the futures contract is expensive according to its theoretical price. The strategy involves a swap between the futures and a Treasury bill and stock portfolio.

Stock repurchase A firm's repurchase of outstanding shares of its common stock.

Stock right Another terminology for a stock option.

Stock selection An active portfolio management technique that focuses on advantageous selection of particular stock rather than on broad asset allocation choices.

Stock split Occurs when a firm issues new shares of stock and in turn lowers the current market price of its stock to a level that is proportionate to pre-split prices. For example, if IBM trades at \$100 before a two-for-one split, after the split it will trade at \$50, and holders of the stock will have twice as many shares as they had before the split. See: Split.

Stock symbol See: Ticker symbol

Stock ticker A letter designation assigned to securities and mutual funds that trade on US financial exchanges.

Stock watcher (NYSE) A computerized service that monitors and investigates trading activity on the NYSE in order to identify any unusual activity or security movement that might be caused by rumors or illegal activities.

Stockbroker See: Registered representative

Stockholder See: Shareholder.

Stockholder books Set of books kept by firm management for its annual report that follows Financial Accounting Standards Board rules. The tax books follow IRS tax rules.

Stockholder equity Balance sheet item that includes the book value of ownership in the corporation. It includes capital stock, paid-in surplus, and retained earnings.

Stockholder of record Stockholder whose name is registered on the books of a corporation and thus will receive dividends from the corporation.

Stockholder's equity The residual claims that stockholders have against a firm's assets, calculated by subtracting all current liabilities and debt liabilities from total assets.

Stockholder's report The annual report and other reports given to stockholders to inform them of the company's financial standing and developments.

Stockholm Stock Market (Stockholm Bourse) The major securities market of Sweden.

Stockout Running out of inventory.

StockWatch A stock surveillance program offered by proxy solicitation firms, and selected transfer agents, to track and monitor sales and purchases of a corporation's shares and provide valuable information at the beneficial owner level.

Stop basis Refers to over-the-counter trading. Method of entering an OTC trade into the trader's position without reporting the trade on the OTC tape.

Stop order (or stop) An order to buy or sell at the market when a definite price is reached, either above (on a buy) or below (on a sell) the price that prevailed when the order was given.

Stop payment An order given a depository institution not to pay out cash for a check; often used when the check has been stolen or lost.

Stop Transfer A block placed against a security reported lost or stolen (an adverse claim), so it cannot be transferred.

Stop-limit order A stop order that designates a price limit. Unlike the stop order, which becomes a market order once the stop is reached, the stop-limit order becomes a limit order.

Stop-loss order An order to unwind a position when the price moves against you. This order is designed to limit losses or in some cases to lock in a certain level of profit. As soon as the price of the security hits the stop-loss price (or falls below), the order becomes a market order. If you were short the asset, the stop-loss would trigger a purchase. Stop-losses are often disabled for after hours trading because prices are often quite variable and you could be executed at an unfavorable price. Stop losses are also usually calculated off the bid price (which is a measure of what people are actually willing to pay if the security is sold). Again, one needs to be careful because if there is lack of liquidity, the

bid-ask spread could be large and you could be stopped out at an unfavorable price. Finally, some traders have rolling or trailing stop loss. As the price moves up the stop-loss is moved higher (say 20% below the current price).

Stop-out price The lowest auction price at which Treasury bills are sold.

Stopped Guaranteed a specific price on the customer's working order while the dealer tries to obtain a better one. Stopped against one's self involves a customer order and a firm's own account, not two customers. One can cancel an order even after being stopped by another party.

Stopped out A purchase or sale that is executed under a stop order at the stop price specified by the customer.

Stopping curve A curve showing the refunding rates for different times at which the expected value of refunding immediately equals the expected value of waiting to refund.

Stopping curve refunding rate A refunding rate that falls on the stopping curve.

Story stock/bond A highly complex security that requires a long "story" so that investors may understand the corporation and be persuaded of its merits.

Straddle Purchase or sale of an equal number of puts and calls with the same terms at the same time. Related: Spread.

Straight Direct telephone line, compared to an outside line that requires a telephone number to be dialed.

Straight Bill of Lading A bill of lading that is cosigned to a specific party and is therefore non negotiable.

Straight Discount The rate applied to the face value of the promissory note to calculate present value without compounding. For example, a note with a face value in three years of 100, with a straight discount of 10% per annum has a present value of 70.

Straight term insurance policy Term life insurance policy providing a fixed-amount death benefit over a certain number of years.

Straight value Also called investment value, the value of a convertible security without the conversion option.

Straight voting Allows shareholder to cast all of the shareholder's votes for each candidate for the Board of Directors.

Straight-line depreciation Amortizing or apportioning an equal dollar amount of depreciation in each accounting period.

Strange Attractor An attractor in phase space, where the points never repeat themselves, and orbits never intersect, but they stay within the same region of phase space. Unlike limit cycles or point attractors, strange attractors are non-periodic, and generally have a fractal dimension. They are a picture of a non-linear, chaotic system. See: Attractor, Chaos, Limit Cycle, Point Attractor.

Strangle Buying or selling an out-of-the-money put option and call option on the same underlying instrument, with the same expiration. Profits are made only if there is a drastic change in the underlying instrument's price.

Strap A relatively simple trading strategy that involves buying a set of options, two calls and one put, with the same strike price and expiration date on a stock. The strap is a more focused version of the straddle, and is popular due to its unlimited profit, limited risk nature. The maximum loss that a strap can incur occurs when the equity price on the expiration date of the options is the same as the price on the date the options were purchased. In this case, the loss is equal to the sum the three-option set was purchased for. However, with any deviation in the price either up or down, the strategy recovers at least some of the cost of purchasing the options. See: Strip, Straddle

Strategic alliance Collaboration between two or more companies designed to achieve some corporate objective. May include international licensing agreements, management contracts, or joint ventures.

Strategic buyout Acquisition of another firm in order to realize some operational benefits which will result in increased earnings.

Strategy The general or specific approach to investing that an individual, institution, or fund manager employs.

Stratified equity indexing A method of constructing a replicating portfolio that classifies the stocks in the index into strata, and represents each stratum in the portfolio.

Stratified sampling approach to indexing Dividing an index into cells, each representing a different characteristic of the index, such as duration or maturity.

Stratified sampling bond indexing A method of bond indexing that divides the index into cells, each cell representing a different characteristic, and that buys bonds to match those characteristics.

Stray (1) Not a member of the participating party in the trade at hand; (2) not a meaningful indication of a customer's desire to take a sizable position or be involved in a stock.

Street Means Wall Street financial community; brokers, dealers, underwriters, and other knowledgeable participants.

Street name Registration under which securities maybe held by a broker on behalf of a client but be registered in the name of the Wall Street firm.

Stress test Tests conducted by federal supervisory agencies in early 2009 to estimate the range of possible future losses among US banks and determine if they have sufficient capital buffers to withstand the impact of a severe recession. The stress test involved two scenarios, a base scenario and a worst case scenario.

Strike index For a stock index option, the index value at which the buyer of the option can buy or sell the underlying stock index. The strike index is converted to a dollar value by multiplying by the option's contract multiple. Related: Strike price.

Strike price The stated price per share for which underlying stock may be purchased (in the case of a call) or sold (in the case of a put) by the option holder upon exercise of the option contract.

Striking price The price at which an option can be exercised. See: Exercise price.

Striking Price Intercal The distance between striking prices on a particular underlying security. Normally, the interval is 2-1/2 points for stocks under \$25, 5 points for stocks selling over \$25 per share, and 10 points (or greater) is acceptable for stocks over \$200 per share. There are, however, exceptions to this general guideline.

Strip Variant of a straddle. A strip is two puts and one call on a stock. A strap is two calls and one put on a stock. The puts and calls have the same strike price and expiration date. See: Strap.

Strip mortgage participation certificate (strip PC) Ownership interests in specified mortgages purchased by Freddie Mac from a single seller in exchange for separate instruments representing interests in the same mortgages.

Stripped bond Bond that can be subdivided into a series of zero-coupon bonds.

Stripped mortgage-backed securities (SMBS) Securities that redistribute the cash flows from the underlying generic MBS collateral into the principal and interest components of the MBS to enhance their attractiveness to different groups of investors.

Stripped yield Applies mainly to convertible securities. Return on the debt portion of a bond/warrant unit after subtracting the value of the issued warrant segment.

Strong Currency A currency whose value compared to other currencies is improving, as indicated by a decrease in the direct exchange rates for the currency.

Strong dollar When the dollar can be exchanged for a large amount of foreign currency, benefiting travelers but hurting exporters.

Strong form of the EMT Theory that market prices reflect all relevant publicly and privately available information. Defined by Eugene F. Fama in 1970.

Strong-form efficiency A form of pricing efficiency, that posits that the price of a security reflects all information, whether or not it is publicly available. Related: Weak-form efficiency, semi-strong form efficiency.

Structural Adjustment Loan Facility (SAL) World Bank program established in 1980 to enhance a country's long-term economic growth through financing projects.

Structure The description of how a project financing is drawdown, repaid, and collateralized secured.

Structured arbitrage transaction A self-funding, self-hedged series of transactions that usually use mortgage-backed securities (MBS), commercial mortgage backed securities, and collateralized debt obligations as the primary assets.

SATURNS See Structured Asset Trust Unit Repackagings. Structured Asset Trust Unit Repackagings A synthetic security linked or weak-linked to underlying collateral. Ratings usually reflect the credit quality of the underlying securities.

Structured debt Debt that has been customized for the buyer, often by incorporating unusual options.

Structured finance Often refers to a group within an investment bank that deals with mortgage-backed securities (MBS), commercial mortgage backed securities, and collateralized debt obligations, and real estate.

Structured investment vehicle A fund that borrows for the short-term by issuing commercial paper to invest in long-term assets like MBS and asset-backed securities. The profit is made on the credit spread between short-term debt and long-term investments. Structured Investment Vehicles are often used as

off-balance sheet investments by financial firms. SIVs played an important role in the credit crunch of 2007-2008.

Structured note A derivative investment that will change in value with movements of an underlying index; or a note whose issuer makes swap arrangements to alter its required cash flows.

Structured portfolio strategy Designing a portfolio to achieve a level of performance that matches some predetermined liabilities that must be paid out in the future.

Structured product Structured products are investment vehicles based on a basket of underlying securities, such as derivatives, equities, debt issuance, commodities, indices, currencies, or any combination thereof. See: Debt instrument, Asset allocation decision, Structured finance

Structured settlement An agreement in settlement of a lawsuit involving specific payments made over a period of time. Property and casualty insurance companies often buy life insurance products to pay the costs of such settlements.

Stub Often used in risk arbitrage. Piece of equity security left over from a major cash or security distribution from a recapitalization.

Student Loan Marketing Association (SLMA) A publicly traded corporation established by federal action that increases availability of educational loans by guaranteeing student loans traded in the secondary market. Also known as Sallie Mae.

Subaccount A term used in bookkeeping. For example, the insurance expense account may have various different subcategories such as building and property insurance, auto/fleet insurance, general liability, environmental, professional liability, law enforcement, and other insurance.

Subchapter M An IRS regulation dealing with investment companies and real estate investment trusts that avoid double taxation by distributing interest, dividends, and capital gains directly to shareholders, who are taxed individually.

Subchapter S IRS regulation that gives a corporation with 35 or fewer shareholders the option of being taxed as a partnership to escape corporate income taxes.

Subject Refers to a bid or offer that cannot be executed without confirmation from the customer. In other words, not firm, but a bid/offer that needs additional information/confirmation before becoming firm and is therefore still negotiable.

Subject market Quote in which prices are subject to confirmation. See: Fast market.

Subject to a (NY) can Contingent upon trader's ability to cancel an order (on the indicated exchange).

Subject to a print/execution/trading Contingent on execution of a trade because the picture in the stock has not been materially altered.

Subject to opinion An auditor's opinion reflecting acceptance of a company's financial statements subject to pervasive uncertainty that cannot be adequately measured, such as information relating to the value of inventories, reserves for losses, or other matters open to judgment.

Subjective probabilities Probabilities that are determined subjectively (for example, on the basis of judgment rather than statistical sampling).

Subordinated A claim ranked lower in priority than other claims. Common stock claims are always subordinated to debt.

Subordinated bonds Securities that fall after others in priority of claims on the entity in the case of financial distress.

Subordinated debenture bond An unsecured bond that ranks after secured debt, after debenture bonds, and often after some general creditors in its claim on assets and earnings. Related: Debenture bond, mortgage bond, collateral trust bonds.

Subordinated debt Debt over which senior debt takes priority. In the event of bankruptcy, subordinated debtholders receive payment only after senior debt claims are paid in full.

Subordination clause A provision in a bond indenture that restricts the issuer's future borrowing by subordinating future lenders' claims on the firm to those of the existing bondholders.

Subpart F Special category of foreign-source "unearned" income that is currently taxed by the IRS whether or not it is remitted to the US

Subperiod return The return of a portfolio over a shorter period of time than the evaluation period.

Subprime lending Lending to individuals who have a bad credit history or relatively low income. A higher interest rate is charged for such loans because risk to the lender is higher. Excessive subprime lending is often pointed to as one of the major causes of the financial crisis of 2008-2009.

Subprime market Refers to the market for subprime loans, subprime mortgages and their securitized forms such as MBS, asset-backed securities, CDOs, etc.

Subprime mortgage Subprime refers to higher the risk. These are mortgages that are issued to individuals who are often not qualified. That is, the long term monthly mortgage payment is more than their income. Often, these mortgages are issued on the expectation that the homeowners income will rise in the future. These mortgages are often made feasible by teaser rates. This means that the rate might be very low for the first few years but then rise steeply. In periods of weakness in the housing market or the economy in general, these mortgages are the first to run into trouble.

Subrogation An insurance process whereby a company that has paid out to a policyholder for a loss incurred recovers the amount of the loss from the party that is legally liable.

Subscription Agreement to buy new issue of securities.

Subscription agreement An application reviewed by the general partner to join a limited partnership.

Subscription price Price that current shareholders pay for a share of stock in a rights offering.

Subscription privilege The right of current shareholders of a corporation to buy newly issued shares before they are available to the public.

Subscription right See: Subscription privilege

Subscription warrant Applies to derivative products. Type of security, usually issued with another security, such as a bond or stock, that entitles the holder to buy a proportionate amount of common stock at a specified price, usually higher than the market price at the time of issuance. Warrant.

Subsidiary A wholly or partially owned company that is part of a large corporation. A foreign subsidiary is a separately incorporated entity under the host country's law. A subsidiary's financial results are carried on the parent company's books.

Subsidized financing Funding provided by a government or other entity that is available at a below-market interest rate.

Substantially equal periodic payments (SEPP) A method of distribution from IRA account assets that under certain conditions is not subject to the IRS's 10% premature withdrawal penalty for those under age 59-1/2.

Substitute sale A method for hedging price risk that uses debt market instruments, such as interest rate futures, or that involves selling borrowed securities as the primary assets.

Substitution swap A swap in which a money manager exchanges one bond for another bond that is similar in terms of coupon, maturity, and credit quality, but that offers a higher yield.

Success tax A 15% excise tax on “excess” distributions from tax-deferred retirement plans that was repealed by the Taxpayer Relief Act of 1997. In essence, the tax had penalized “successful” investors who accumulated large retirement accounts and took distributions that exceeded an annual limit deemed excessive by the tax code.

Suicide pill A hostile takeover prevention tactic that could destroy the target company. Taking on a large amount of debt to prevent the takeover might cause bankruptcy, for example.

Suitability A requirement that any investing strategy fall within the financial means and investment objectives of an investor.

Suitability rules Policies and guidelines that brokers must use to ensure that investors have the financial means to assume risks that they wish to undertake. These are enforced by the NASD and other self-regulatory organizations.

Suitable Describing a strategy or trading philosophy in which the investor is operating in accordance with his(her) financial means and investment objectives.

Sum-of-the-years'-digits depreciation Method of accelerated depreciation.

Summary plan description (SPD) A document that explains the fundamental features of an employer's defined benefit or defined contribution plan, including eligibility requirements, contribution formulas, vesting schedules, benefit calculations, and distribution options. ERISA requires that the SPD be easy to understand and that each participant receive a copy within 90 days of joining the plan.

Sunk costs Costs that have been incurred and cannot be reversed.

Sunrise industries Growth industries in an economy that may become leaders in the market in the future.

Super Bowl indicator A theory that if a team from the old American Football League pre-1970 wins the Super Bowl, the stock market will decline during the coming year. If a team from the old pre-1990 National Football League wins the Super Bowl, stock prices will increase in the coming year.

Super DOT Super DOT provides faster execution than regular DOT and focuses on large-size trades and baskets. See: Program trading.

Super Majority A proposal requiring more than a simple majority of the votes eligible to be cast at an annual or special meeting. A super majority is often a 2/3 (66.66%) vote, but it can be as high as 3/4 (75%) or 4/5 (80%).

Super message See: Autex

Super sinker bond Usually a home financing bond, but also any other bond that has long-term coupons but short maturity; the mortgages may be prepaid, and the holders may receive the long-term yield after a short period of time.

Super Sovereign Refers to institutions such as EU or IMF.

Superangels Refers to a group of individual venture capitalists, or angels, that pool their funding together to create a larger pool of capital.

Supermajority Provision in a company's charter requiring a majority of, say, 80% of shareholders to approve certain changes, such as a merger.

Supermajority amendment Often used in risk arbitrage. Corporate amendment requiring that a substantial majority (usually 67% to 90%) of stockholders approve important transactions, such as mergers.

Supervisory analyst An analyst who is qualified to approve publicly distributed research reports on the NYSE.

Supervisory board The board of directors that represents stakeholders in the governance of the corporation.

Supervisory Capital Assessment Program See Stress test.

Supplemental Security Income A Social Security program established to help the blind, disabled, and poor.

Supplier credit Self-financing of a supplier's operations. Also the agreement of a supplier of goods or services to deferred repayment terms.

Supply risk The risk associated with a change in raw materials or input to a project from those assumed or projected. In the context of a resources production project, this is called reserves risk.

Supply shock An event that influences production capacity and costs in an economy.

Supply-side economics A theory of economics that reductions in tax rates will stimulate investment and in turn will benefit the entire society.

Support An effective lower bound on prices supported because of many willing buyers at that price level.

Support level A price level below which it is supposedly difficult for a security or market to fall. That is, the price level at which a security tends to stop falling because there is more demand than supply; can be identified on a technical basis by seeing where the stock has bottomed out in the past.

SUR The three-character ISO 3166 country code for SURINAME.

Surcharge An additional levy added to some charge.

Surety An individual or corporation that guarantees the performance or actions of another.

Surplus funds Cash flow available after payment of taxes in a project.

Surplus management Related: Asset management

Surtax A tax added to the normal tax paid by corporations or individuals who have earned income above a certain level.

Surveillance department of exchanges A department that monitors trading activity on an exchange in order to identify any unusual activity that may indicate illegal practices.

Survivorship bias Usually pertaining to fund manager or individual investor performance. Suppose we examined the performance over the last ten years of a group of managers that exist today. This performance is biased upwards because we are only considering those that survived for 10 years. That is, some dropped out because of poor performance. Hence, in evaluating performance, one has to be careful to include both the current and the managers that dropped out of the sample due to poor performance.

Sushi bond A Eurobond issued by a Japanese corporation.

Suspended trading Temporary halt in trading in a particular security, in advance of a major news announcement or to correct an imbalance of orders to buy and sell.

Suspense account An account used temporarily to record receipts and disbursements that have yet to be classified.

Sustainable growth rate Maximum rate of growth a firm can sustain without increasing financial leverage.

SV The two-character ISO 3166 country code for EL SALVADOR.

SVC The ISO 4217 currency code for the El Salvador Colon.

SVK The three-character ISO 3166 country code for SLOVAKIA.

SVN The three-character ISO 3166 country code for SLOVENIA.

Swap An arrangement in which two entities lend to each other on different terms, e.g., in different currencies, and/or at different interest rates, fixed or floating.

Swap arrangements Short-term reciprocal lines of credit between the Federal Reserve and 14 foreign central banks as well as the Bank for International Settlements. Through a swap transactions, the Federal Reserve can, in effect, borrow foreign currency in order to purchase dollars in the foreign exchange market. In doing so, the demand for dollars and the dollar's foreign exchange value are increased. Similarly, the Federal Reserve can temporarily provide dollars to foreign central banks through swap arrangements.

Swap assignment Related: Swap sale

Swap book A swap bank's portfolio of swaps, usually arranged by currency and maturity.

Swap buy back The sale of an interest rate swap by one counterparty to the other, effectively ending the swap.

Swap Execution Facilities (SEFs) A Swap Execution Facility is an electronic trading system to bring greater efficiency and transparency in the swaps market. Dodd-Frank Act, which was signed by President Obama in July 2010 included a requirement that any participant providing electronic markets for trading interest rate swaps will need to register as a Swap Execution Facility.

Swap fund See: Exchange fund

Swap option See: Swaption. Related: Quality option.

Swap rate The difference between spot and forward rates expressed in points, e.g., \$0.0001 per pound sterling.

Swap reversal An interest rate swap designed to end a counterparty's role in another interest rate swap, accomplished by counterbalancing the original swap in maturity, reference rate, and notional amount.

Swap sale Also called a swap assignment, a transaction that ends one counterparty's role in an interest rate swap by substituting a new counterparty whose credit is acceptable to the other original counterparty.

Swaption Options on interest rate swaps. The buyer of a swaption has the right to enter into an interest rate swap agreement by some specified date in the future. The swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer. The writer of the swaption becomes the counterparty to the swap if the buyer exercises.

SWE The three-character ISO 3166 country code for SWEDEN.

Sweat equity An increase in equity created by the labor of the owner.

Swedish FSA See: Finansinspektionen.

Sweep The act of using all available cash flow for the repayment of debt service.

Sweep account Account providing that a bank invest all the excess available funds at the close of each business day for the firm.

Sweetener A feature of a security that makes it more attractive to potential purchasers.

SWF See: Sovereign Wealth Fund

SWIFT See: Society for Worldwide Interbank Financial Telecommunications

Swing Trading Refers to a type of short term (one day to a couple of weeks) trading, triggered by technical analysis, for example, momentum. Swing trading is distinguished by the notion that the trades are executed while the assets is moving in upward or downward momentum. That is, you are riding the >momentum.

Swingline facility Bank borrowing facility to provide finance while the firm replaces US commercial paper with eurocommercial paper.

Swiss Electronic Bourse (EBS) Computer linking system between the former stock exchange trading floors in Zurich, Geneva, and Basel, Switzerland so that trades can be carried out among traders on all three of the trading floors.

Swiss Exchange The major securities market of Switzerland.

Swiss Options and Financial Futures Exchange (SOFFEX) The Swiss derivatives market with the first fully electronic trading system in the world, now called Eurex Zurich AG.

Swissy Slang for the Swiss franc.

Switch order Order for the purchase (sale) of one stock and the sale (purchase) of another stock at a stipulated price difference. Contingent order, swap.

Switching Liquidating a position and simultaneously reinstating a position in another futures contract of the same type.

Switching options A sequence of transactions in which exercise of one option creates one or more additional options. Investment-disinvestment, entry-exit, expansion-contraction, and suspension-reactivation decisions are switching options.

SWZ The three-character ISO 3166 country code for SWAZILAND.

SY The two-character ISO 3166 country code for SYRIAN ARAB REPUBLIC.

SYC The three-character ISO 3166 country code for SEYCHELLES.

Sydney Futures Exchange (SFE) The derivatives market of Australia.

Symbol Letters used to identify companies on the consolidated tape and other locations.

Symbol book special Illiquid, inactively traded stock not familiar market

Symmetric cash matching An extension of cash flow matching that allows for the short-term borrowing of funds to satisfy a liability prior to the liability due date, reducing the cost of funding liabilities.

Synchronous data Information available at the same time. To test option-pricing models, the price of the option and of the underlying should be synchronous and reflect the same moment in the market.

Syndicate A group of banks that acts jointly, on a temporary basis, to loan money in a bank credit (syndicated credit) or to underwrite a new issue of bonds.

Syndicate manager See: Managing underwriter

Syndicated Eurocredit loans Funding provided by a group (or syndicate) of banks in the Eurocredit market.

Syndicated Loan A large Eurocurrency loan from a group of international banks.

Syndication The selling of a project finance to a group of prospective participants, the syndicate.

Synergistic effect A violation of value-additivity in that the value of a combination is greater than the sum of the individual values.

Synergy Describes a combination whose value is greater than the sum of the separate individual parts.

Synthetic convertible Combination of usable bonds and warrants (that expire on or after the bonds' maturity) that resembles convertible bond.

Synthetic forward position A forward position constructed through borrowing in one currency, lending in another currency, and offsetting these transactions in the spot exchange market.

Synthetic Lease When a company creates a special-purpose entity to arrange for a loan to purchase property, and then leases the property from the entity. The synthetic lease therefore keeps the loan off the company's balance sheet, while the company provides enough income to the special-purpose entity to cover the interest rate on the loan.

Synthetic put A strategy equivalent in risk to purchasing a put option where an investor sells stock short and buys a call.

Synthetic stock An option strategy that is equivalent to the underlying stock. A long call and a short put is synthetic long stock. A long put and a short call is synthetic short stock.

Synthetics Customized hybrid instruments created by blending an underlying price on a cash instrument with the price of a derivative instrument. It is a combination of security holdings that mimics the price movement of another single security (i.e., synthetic call: long position in a stock combined with a put on that position; a protected long sale; synthetic put: short position in a stock combined with a call on that position; a protected short sale).

SYP The ISO 4217 currency code for the Syrian Pound.

SYR The three-character ISO 3166 country code for SYRIAN ARAB REPUBLIC.

System Noise See: Dynamical Noise

Systematic Common to all businesses.

Systematic investment plan An approach involving regular investments in order to take advantage of dollar-cost averaging.

Systematic Return The part of the return dependent on the benchmark return. We can break excess returns into two components: systematic and residual. The systematic return is the beta times the benchmark excess return.

Systematic risk Also called undiversifiable risk or market risk. A good example of a systematic risk is market risk. The degree to which the stock moves with the overall market is called the systematic risk and denoted as beta.

Systematic risk principle Only the systematic portion of risk matters in large, well-diversified portfolios. Thus, expected returns must be related only to systematic risks.

Systematic withdrawal plan A provision of certain mutual funds to pay out to the shareholder specified amounts after specified periods of time.

Systemic Risk Risk common to a particular sector or country. Often refers to a risk resulting from a particular “system” that is in place, such as the regulator framework for monitoring of financial-institutions.

Systems theory A method of describing a complex structure introduced by Ludwig von Bertalanffy in the 1940s that relates the interaction of individual components of the structure to the functioning of the structure as a whole.

SZ The two-character ISO 3166 country code for SWAZILAND.

SZL The ISO 4217 currency code for the Swaziland Lilangeni.

Stablecoin A type of cryptocurrency where the cryptocurrency is either fully or partially collateralized. The collateral could be fiat currency, precious metals, stocks, bonds, or even another non-collateralized cryptocurrency. Stablecoins rely on blockchain technology. The coins are only as stable as the value of the underlying collateral. An example is the US dollar based Tether.

“Take it down” Reduce the offering price or hit others’ bids to such an extent as to lower the inside market.

“Take me along” Allow me to participate in the side of a particular trade.

“Trade me out” Work out of one’s long position (usually created by committing firm principal to complete a trade block trade) by selling stock. Antithesis of “buy them back.”

T Fifth letter of a Nasdaq stock symbol indicating that the stock has warrants or rights.

T+3 The settlement date for securities transactions such as a stock sale. It refers to the obligation in the brokerage business to settle securities trades by the third day following the trade date. The settlement occurs when the seller receives the sales price (the broker’s commission) and the buyer receives the shares.

T-account A simplified representation of the actual accounts used for record-keeping. Called T-account because it looks like the letter T with debits under the left arm and credits under the right arm.

T-period holding-period return The percentage return over the T-year period an investment is held.

T-Rex Fund A large venture capital fund (over one billion dollars). Such funds are known for imposing strong discipline on the firms they fund.

TAA See: Tactical asset allocation

TABs See: Tax anticipation bill

Tabulation Report A proxy tally report detailing the current quorum and vote figures on each proposal.

TAC bonds See: Targeted amortization class bond.

Tactical Asset Allocation (TAA) Portfolio strategy that allows active departures from the normal asset mix according to specified objective measures of value. Often called active management. It involves forecasting asset returns, volatilities, and correlations. The forecasted variables may be functions of fundamental variables, economic variables, or even technical variables.

TAF See: Term Auction Facility

Tail 1. Often refers to extreme risk. In terms of a distribution, the left tail represents extreme negative realizations. Importantly, there are two tails. The right tail refers to extreme positive realizations. 2. The remaining reserves after a project financing has been repaid. Sometimes refers to the residual value.

Tail Risk Usually refers to the left side of a probability distribution which represents extreme negative events. Tail risk is related to negative skewness. Tail risk can be managed. For example, the purchase of a put option reduces tail risk.

Tailgating Purchase of a security by a broker after the broker places an order for the same security for a customer. The broker hopes to profit either because of information which the customer has or because the customer's purchase is of sufficient size to affect security prices. This is an unethical practice.

Taiwan Stock Exchange (TSEC) Established in 1961, the only centralized securities market in Taiwan.

Take (1) To agree to buy. A dealer or customer who agrees to buy at another dealer's offered price is said to take the offer. (2) Euro bankers speak of taking deposits rather than buying money.

Take a bath To sustain a loss on either a speculation or an investment.

Take a flier To speculate on highly risky securities.

Take a position To buy or sell short; that is to own or to owe some amount on an asset or derivative security.

Take a powder Temporarily cancel an order or indication in a stock, while unrepresented interest still exists. See: Back on the shelf, sidelines.

Take a swing Execute a trade at a price that the trader feels is higher or more risky than would normally be acceptable, in order to gain market share in the institutional arena.

Take off A sharp increase in the price of a stock, or a positive movement of the market as a whole.

Take the offer Buy stock by accepting a floor broker's (listed) or dealer's (OTC) offer at an agreed-upon volume. Antithesis of hit the bid.

Take-and-pay contract An agreement that obligates the purchaser to take any product that is offered (and pay the cash purchase price) and pay a specified amount if the product is not taken.

Take-out A cash surplus generated by the sale of one block of securities and the purchase of another, e.g., selling a block of bonds at 99 and buying another block at 95. Also, a bid made to a seller of a security that is designed (and generally agreed) to take the seller out of the market.

Take-out merger See Clean-up merger.

Take-up fee A fee paid to an underwriter in connection with an underwritten rights offering or an underwritten forced conversion. Represents compensation

for each share of common stock the underwriter obtains and must resell upon the exercise of rights or conversion of bonds.

Takedown The share of securities of each participating investment banker in a new or a secondary offering, or the price at which the securities are distributed to the different members of an underwriting group.

Takeout A financing to refinance or take out another loan.

Takeover General term referring to transfer of control of a firm from one group of shareholders to another group of shareholders. Change in the controlling interest of a corporation, either through a friendly acquisition or an unfriendly, hostile, bid. A hostile takeover (with the aim of replacing current existing management) is usually attempted through a public tender offer.

Takeover target A company that is the object of a takeover attempt, friendly or hostile.

Takes a call Requires a phone call to an account in order for a trade to be completed. See: Show me.

Takes price Requiring some price movement or concession on behalf of the initiating party before a trade can be consummated. See: Price give.

Taking a view A London expression; means forming an opinion as to where market prices are headed and acting on it.

Taking delivery When the buyer actually assumes possession from a seller of assets agreed upon in a forward contract or a futures contract.

TALF See: Term Asset-Backed Securities Loan Facility

Tandem programs Ginnie Mae mortgage funds provided at below-market rates to residential MBS buyers with FHA Section 203 and 235 loans and to developers of multifamily projects with Section 236 loans initially and later with Section 221(d)(4) loans.

Tangibility Characteristic that an assets can be used as collateral to secure debt.

Tangible asset An asset whose value depends on particular physical properties. These include reproducible assets such as buildings or machinery and non-reproducible assets such as land, a mine, or a work of art. Also called real assets. Converse of: Intangible asset

Tangible net worth Total assets minus intangible assets, which include patents and copyrights, and total liabilities.

TANs See: Tax anticipation notes

Tape (1) Service that reports prices and sizes of transactions on major exchanges-ticker tape. (2) Dow Jones and other news wires. See: Consolidated tape.

Tape is late When the trading volume is so heavy that trades appear on the tape more than a minute behind the timer they actually take place.

Tare Weight The weight of an empty container and any packaging materials used in the container.

Target cash balance Optimal amount of cash for a firm to hold, considering the trade-off between the opportunity costs of holding too much cash and the trading costs of holding too little cash.

Target company Often used in risk arbitrage. Firm chosen as an attractive takeover candidate by a potential acquirer. The acquirer may buy up to 5% of the target's stock without public disclosure, but it must report all transactions and supply other information to the SEC, the exchange the target company is listed on, and the target company itself once the 5% threshold is hit. See: Raider.

Target firm A firm that is the object of a takeover by another firm.

Target investment mix The percentage mix of stocks, bonds, and short-term reserves that an investor considers appropriate based on his/her personal objectives, time horizon, risk tolerance, and financial resources.

Target Leverage Ratio The ratio of the market value of debt to the total market value of the firm that management seeks to maintain.

Target payout ratio A firm's long-run dividend-to-earnings ratio. The firm's policy is to attempt to pay out a certain percentage of earnings, but it pays a stated dollar dividend and adjusts it to the target as base line increases in earnings occur.

Target price In the context of takeovers, the price at which an acquirer aims to buy a target firm. In the context of options, the price of the underlying security at which an option will become in the money. In the context of stocks, the price that an investor hopes a stock will reach in a certain time period.

Target zone arrangement A monetary system under which countries pledge to maintain their exchange rates within a specific margin around agreed-upon, fixed central exchange rates.

Target zones Implicit boundaries on exchange rates established by central banks.

Targeted Amortization Class (TAC) bonds Bonds offered as a tranche class of some CMOs, according to a sinking fund schedule. They differ from PAC bonds whose amortization is guaranteed as long as prepayments on the underlying mortgages do not exceed certain limits. A TAC's schedule is met at only one prepayment rate.

Targeted registered offerings Securities issues sold to "targeted" foreign financial institutions according to U.S. Securities and Exchange Commission guidelines. These foreign institutions then maintain a secondary market in the foreign market.

Targeted repurchase Buying back of a firm's stock from a potential acquirer, usually at a substantial premium, to forestall a takeover attempt. Related: Greenmail.

Tariff A tax on imports or exports.

TARP See: Troubled Asset Relief Program

Tax accounting Accounting for tax calculation and preparation. Treatment of tax may be different for purpose of reporting to tax authorities as compared to GAAP.

Tax and loan account An account at a private bank, held in the name of the district Federal Reserve Bank, which holds operating cash for the business of the US Treasury.

Tax arbitrage Trading that takes advantage of a difference in tax rates or tax systems as the basis for profit.

Tax audit Audit by the IRS or other tax-collecting agency to determine whether a taxpayer has paid the correct amount of tax.

Tax avoidance Minimizing tax burden through legal means such as tax-free municipal bonds, tax shelters, IRA accounts, and trusts. Compare with tax evasion.

Tax base The assessed value of the taxable property, assets, and income within a specific geographic area.

Tax basis In the context of finance, the original cost of an asset less depreciation that is used to determine gains or losses for tax purposes. In the context of investments, the price of a stock or bond plus the broker's commission.

Tax books Records kept by a firm's management that follow IRS rules. The books follow Financial Accounting Standards Board rules.

Tax bracket The percentage of tax obligation for a particular taxable income.

Tax clawback agreement An agreement to contribute as equity to a project the value of all previously realized project-related tax benefits not already clawed back. Exercised to the extent required to cover any cash deficiency of the project.

Tax clientele Categories of investors who have specific preferences for debt or equity because of differences in their personal tax rates.

Tax credit A direct dollar-for-dollar reduction in tax allowed for expenses such as child care and R&D for building low-income housing. Compare tax deduction.

Tax deduction An expense that a taxpayer is allowed to deduct from taxable income.

Tax deferral option Allowing the capital gains tax on an asset to be payable only when the gain is realized by selling the asset.

Tax differential view (of dividend policy) The view that shareholders prefer capital gains over dividends, and hence low payout ratios, because capital gains are effectively taxed at lower rates than dividends.

Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Legislation to increase tax revenue by eliminating various taxation loopholes and instituting tougher enforcement procedures in collecting taxes.

Tax evasion Illegal by reducing tax burden by underreporting income, overstating deductions, or using illegal tax shelters.

Tax free acquisition A merger or consolidation in which (1) the acquirer's tax basis on each asset whose ownership is transferred in the transaction is generally the same as the acquiree's, and (2) each seller who receives only stock does not have to pay any tax on the gain realized until the shares are sold.

Tax haven A nation with a moderate level of taxation and/or liberal tax incentives for undertaking specific activities such as exporting or investing.

Tax haven affiliate A wholly owned entity in a low-tax jurisdiction that is used to channel funds to and from a multinational's foreign operations. The tax benefits of tax haven affiliates were largely removed in the US by the Tax Reform Act of 1986.

Tax holiday A reduced tax rate that a government provides as an inducement to foreign direct investment.

Tax liability The amount in taxes a taxpayer to the government.

Tax lien The right of the government to enforce a claim against the property of a person owing taxes.

Tax loss carryback, carryforward A tax benefit that allows business losses to be used to reduce tax liability in previous and or following years.

Tax planning Devising strategies throughout the year in order to minimize tax liability, for example, by choosing a tax filing status that is most beneficial to the taxpayer.

Tax preference item Items that must be included when calculating the alternative minimum tax.

Tax preparation services Firm that prepare tax returns for a fee.

Tax rate The percentage of tax paid for different levels of income.

Tax Reduction Strategy A source of competitive advantage that depends on differences in the tax rates imposed in different locations.

Tax Reform Act of 1976 Legislation aimed at tightening provisions relating to taxation, including changes in the capital gains tax laws.

Tax Reform Act of 1984 Legislation enacted as part of the Deficit Reduction Act of 1984 to reduce the federal budget deficit. Among its provisions are a decrease in the minimum holding period for assets to qualify for long-term capital gains treatment from one year to six months.

Tax Reform Act of 1986 A 1986 law involving a major overhaul of the US tax code.

Tax Reform Act of 1993 See: Revenue Reconciliation Act of 1993

Tax refund Money back from the government when too much tax has been paid or withheld from a salary.

Tax schedules Tax forms used to report itemized deductions, dividend and interest income, profit or loss from a business, capital gains and losses, supplemental income and loss, and self-employment tax.

Tax selling Selling of securities to realize losses that will offset capital gains and reduce tax liability. See: Wash sale.

Tax shelter Legal methods taxpayers can use to reduce tax liabilities. An example is the use of depreciation of assets.

Tax shield The reduction in income taxes that results from taking an allowable deduction from taxable income.

Tax software Computer software designed to assist taxpayers in filling out tax returns and minimizing tax liability.

Tax status election The decision of the status under which to file a tax return. For example, a corporation may file as a C corporation or an S corporation.

Tax straddle Technique used in futures and options trading to create tax benefits. For example, an investor with a capital gain takes a position creating an artificial

offsetting loss in the current tax year and postponing a gain from the position until the next tax year.

Tax swap Swapping two similar bonds to receive a tax benefit.

Tax umbrella Tax loss carryforwards from previous business losses that form a tax shelter for profits earned in current and future years.

Tax-deductible The effect of creating a tax deduction, such as charitable contributions and mortgage interest.

Tax-deferred income Dividends, interest, and unrealized capital gains on investments in an account such as a qualified retirement plan, where income is not subject to taxation until a withdrawal is made.

Tax-deferred retirement plans Employer-sponsored and other plans that allow contributions and earnings to be made and accumulate tax-free until they are paid out as benefits.

Tax-equivalent yield The pre-tax yield required from a taxable bond in order to equal the tax-free yield of a municipal bond.

Tax-exempt bond A bond usually issued by municipal, county, or state governments whose interest payments are not subject to federal and, in some cases, state and local income tax.

Tax-exempt income Dividends and interest not subject to federal and, in some cases, state and local income taxes.

Tax-exempt income fund A mutual fund that seeks income that is exempt from federal and, in some cases, state and local income taxes.

Tax-exempt money market fund A money market fund that invests in short-term tax-exempt municipal securities.

Tax-exempt sector The municipal bond market where state and local governments raise funds. Bonds issued in this sector are exempt from federal income taxes.

Tax-exempt security An obligation whose interest is tax-exempt, often called a municipal bond, offered by a country, state, town, or any political district.

Tax-neutrality Characteristic that taxes do not interfere with the natural flow of capital toward its most productive use.

Tax-sheltered annuity A type of retirement plan under Section 403(b) of the Internal Revenue Code that permits employees of public educational organizations or tax-exempt organizations to make before-tax contributions via a salary reduction agreement to a tax-sheltered retirement plan. Employers are also allowed to make direct contributions on behalf of employees.

Tax-timing option The option to sell an asset and claim a loss for tax purposes or not sell the asset and defer the capital gains tax.

Taxable acquisition A merger or consolidation that is not a acquisition. The selling shareholders are treated as having sold their shares.

Taxable equivalent yield The return from a higher-paying but taxable investment that would equal the return from a tax-free investment. This depends on the investor's tax bracket.

Taxable estate That portion of a deceased person's estate that is subject to transfer tax.

Taxable event An event or transaction that has a tax consequence, such as the sale of stock holding that is subject to capital gains taxes.

Taxable income Gross income less a variety of deductions.

Taxable municipal bond Taxed private-purpose bonds issued by the state or local government to finance prohibited projects such as sports stadiums.

Taxable transaction Any transaction that is not tax-free to the parties involved, such as a taxable acquisition.

Taxable year The 12-month period an individual uses to report income for income tax purposes. For most individuals, their tax year is the calendar year.

Taxpayer Relief Act of 1997 Legislation forming part of a larger act designed to balance the federal budget. Some of the legislation's provisions included tax credits for taxpayers supporting children, an increase in the amount that could be excluded from estate taxes, and a lower capital gains tax rate.

Taylor rule Describes how a central bank should adjust short-term interest rates (e.g. the Federal Funds rate) in response to inflation or output gaps. According to the rule, the interest rate should be increased if inflation rises above the target rate of inflation or if real GDP rises above trend GDP (increasing interest rates would squeeze credit supply to decrease demand and bring prices under control.) On the other hand, if inflation or real GDP fall below their target values, interest rates should be decreased. Proposed by economist John B. Taylor in 1993.

TBA See: To be announced

TBAC See: Treasury Borrowing Advisory Committee

TBTF See: Too Big to Fail

TC The two-character ISO 3166 country code for TURKS AND CAICOS ISLANDS.

TCA The three-character ISO 3166 country code for TURKS AND CAICOS ISLANDS.

TCD The three-character ISO 3166 country code for CHAD.

TD The two-character ISO 3166 country code for CHAD.

Tear sheet A page from an S&P stock that provides information on thousands of stocks, often sent to prospective purchasers.

Teaser rate A low initial interest rate on an adjustable-rate mortgage to entice borrowers, that is later eliminated and replaced by a market-level rate.

Technical analysis Security analysis that seeks to detect and interpret patterns in past security prices.

Technical analysts Also called chartists or technicians, analysts who use mechanical rules to detect changes in the supply of and demand for a stock, and to capitalize on the expected change.

Technical condition of a market Demand and supply factors affecting price, in particular, the net position, either long or short, of the dealer community.

Technical descriptors Variables that are used to describe the market in terms of patterns in historical data.

Technical forecasting A forecasting method that uses historical prices and trends.

Technical Information Information related to the momentum of a particular variable. In market analysis, technical information is information related to market dynamics and crowd behavior only.

Technical insolvency Default on a legal obligation of the firm. Technical insolvency occurs when a firm doesn't pay a bill on time.

Technical rally Short rise in securities or commodities futures prices in the face of a general declining trend. Such a rally may result because investors are bargain hunting or because analysts have noticed a particular support level at which securities usually bounce up. Antithesis of correction.

Technical sign A short-term trend in the price movement of a security that analysts recognize as significant.

Technician Related: Technical analysts

TED spread Difference between US Treasury bill rate and Eurodollar rate; used by some traders as a measure of investor/trader anxiety or credit quality.

Teen 1/16 or 0.0625 of one full point in price. Steenth.

TEFRA See: Tax Equity and Fiscal Responsibility Act of 1983

Tel Aviv Stock Exchange Israel's only stock exchange.

Telephone switching Moving one's assets from one mutual fund or variable annuity to another by telephone.

Temporal method A currency translation method under which the choice of exchange rate depends on the underlying method of valuation. Assets and liabilities valued at historical cost (market cost) are translated at the historical (current market) rate.

Temporary Assets That portion of a firm's current assets that fluctuates in response to seasonal or anticipated short-term.

Temporary Financing The sum of negotiated current liabilities and temporary spontaneous current liabilities.

Temporary investment A short-term investment, such as a money market fund, Treasury bills, or short-term CD, which is usually held a year or less.

Ten largest holdings The percentage of a portfolio's total net assets or equity holdings in its ten largest securities positions. As this percentage rises, a portfolio's returns are likely to be more volatile because they are more dependent on the fortunes of fewer companies.

Ten-Day Rule The New York Stock Exchange rule permitting member firms (brokers) to vote in favor of management ten days or less before the meeting, provided that the member firm mailed proxy material to beneficial owners at least 15 business days before the meeting. The rule allows many shares to be voted, which would otherwise not be, to reach a quorum, approve the choice of directors and auditors and handle other routine matters. This rule does not apply to banks, their nominees or their depository positions, nor to non-routine proposals such as approval for the corporation to issue more shares.

Tenant A partial owner of a security, or the holder of some property. See: Lessee.

Tenants by Entireties (TEN ENT) Joint ownership of property or securities by a husband and wife where, upon the death of one, the property goes to the survivor.

Tenants in common Account registration in which two or more individuals own a certain proportion of an account. Each tenant's proportion is distributable as part of the owners estate, so that if one of the account holders dies, that owner's heirs are entitled to that proportional share of the account.

Tenbagger A stock that grows in value ten-fold.

Tender To offer for delivery against futures.

Tender offer General offer made publicly and directly to a firm's shareholders to buy their stock at a price well above the current value market price.

Tender offer premium The premium offered above the current market price in a tender offer.

Tenor The length of time until a loan is due. For example, a loan is taken out with a two year tenor. After one year passes, the tenor of the loan is one year.

Term The period of time during which a contract is in force.

Term Asset-Backed Securities Loan Facility (TALF) A program announced by the Federal Reserve Bank in November 2008 to make loans to firms that would be purchasing high quality asset backed securities such as credit cards, student loans and some Small Business Administration loans.

Term Auction Facility (TAF) TAF was created by the Federal Reserve in December 2007 as bank funding markets got strained during the 2007 financial crisis. Access to 28 and 84 day funding were given to deposit-taking institutions and the program was open to all banks with access to the primary discount window. The last TAF auction was held March 8, 2010.

Term bonds Bonds whose principal is payable at maturity. Often referred to as bullet-maturity bonds or simply bullet bonds. Related: Serial bonds.

Term certificate A certificate of deposit with a longer time to maturity.

Term Fed funds Fed funds sold for a period of time longer than overnight.

Term insurance Provides a death benefit only, no build up of cash value.

Term life insurance A contract that provides a death benefit but no cash build up or investment component. The premium remains constant only for a specified term of years, and the policy is usually renewable at the end of each term.

Term loan A bank loan, typically with a floating interest rate, for a specified amount that matures in between one and ten years, and requires a specified repayment schedule.

Term premiums Excess of the yields to maturity on long-term bonds over those of short-term bonds.

Term repo A repurchase agreement with a term of more than one day.

Term repurchase A repurchase agreement with a term of more than one day. Also known as Term repo

Term Securities Lending Facility (TSLF) Announced by the Federal Reserve on March 11, 2008, the TSLF loaned Treasury securities to certain investment banks for one month in return for pledged collateral. The program was aimed at boosting confidence in those firms. The facility was closed on Feb. 1, 2010.

Term structure of interest rates Relationship between interest rates on bonds of different maturities, usually depicted in the form of a graph often called a yield curve. Harvey shows that inverted term structures (long rates below short rates) have preceded every recession over the past 30 years.

Term to maturity The time remaining on a bond's life, or the date on which the debt will cease to exist and the borrower will have completely paid off the amount borrowed. See: Maturity.

Term trust A closed-end fund that has a fixed termination or maturity date.

Terminal value The value of a bond at maturity, typically its par value, or the value of an asset (or an entire firm) on some specified future valuation date. Usually, a perpetuity formula is used. For example, suppose we forecast cash flows through year 10. We make an assumption that year 11 and beyond will be no growth (except for inflation). If the cash flow forecast for year 11 is 100, the firm's discount rate is 12%, and inflation is expected to be 2%, we use the formula $V_{10} = CF_{11}/(\text{disc rate} - \text{inflation})$. Hence, the value is $100/(0.12 - 0.02)$ that is 1,000. This cash flow needs to be brought back to present value using the formula $1000/(1.12)^{10}$, which is 321.97. Note the importance of the inflation assumption.

Terms of Delivery The part of a sales contract that indicates the point at which title and risk of loss of merchandise pass from the seller to the buyer. See: Incoterms.

Terms of sale Conditions under which a firm proposes to sell its goods or services for cash or credit.

Terms of trade The weighted average of a nation's export prices relative to its import prices.

Territorial tax system A tax system that taxes domestic income but not foreign income. Territorial tax regimes are found in Hong Kong, France, Belgium, and the Netherlands.

Test The event of a price movement that approaches a support level or a resistance level established earlier by the market. A test is passed if prices do not go below the support or resistance level, and the test is failed if prices go on to new lows or highs.

Testamentary trust A trust created by a will, that is scheduled to occur after the maker's death.

TF The two-character ISO 3166 country code for FRENCH SOUTHERN TERRITORIES.

TG The two-character ISO 3166 country code for TOGO.

TGO The three-character ISO 3166 country code for TOGO.

TH The two-character ISO 3166 country code for THAILAND.

THA The three-character ISO 3166 country code for THAILAND.

THB The ISO 4217 currency code for the Thai Baht.

The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) Launched by the Federal Reserve on September 2008, this program was designed to restore confidence to the market for asset-backed commercial paper. Money-market funds, fearing they couldn't sell these securities to meet redemptions, had stopped buying asset-backed commercial paper. Under AMLF, the Fed loaned money to banks to buy up all of the asset-backed commercial paper that a money-market fund wanted to sell.

The Curb Another name for the American Stock Exchange (AMEX).

The Desk The trading desk at the Federal Reserve Bank of New York through which open market purchases and sales of government and federal agency securities are made. The desk maintains direct telephone communication with major government securities dealers. A “foreign desk” at the Federal Reserve Bank of New York conducts transactions in the foreign exchange market.

The Harmonized Commodity Description and Coding System Commonly known as Harmonized System. It is a classification system devised by the Customs Cooperation Council to provide uniformity in tariff classification, trade statistics, and transport documentation among cooperating countries.

The Public Individual investors who trade single securities independently or invest in intermediaries such as mutual funds, as opposed to professional investors.

Theoretical futures price The equilibrium futures price. Also called the fair price.

Theoretical spot rate curve A curve derived from theoretical considerations as applied to the yields of actually traded Treasury debt securities, because there are no zero-coupon Treasury debt issues with a maturity greater than one year. Like the yield curve, this is a graphic depiction of the term structure of interest rates.

Theoretical value Applies to derivative products. Mathematically determined value of a derivative instrument as dictated by a pricing model such as the Black-Scholes model.

Theta The ratio of the change in an option price to the decrease in time to expiration. Also called time decay.

Thin market A market in which trading volume is low, and consequently bid and asked quotes are wide and the instrument traded is not very liquid. Very little stock to buy or sell.

Thinly traded Infrequently traded.

Third market Exchange-listed securities trading in the OTC market.

Thirty-day visible supply The total volume in dollars of municipal bonds with maturities of 13 months or more that should reach the market within 30 days.

Thirty-day wash rule IRS rule stating that losses on a sale of stock may not be used as tax shelter if equivalent stock is purchased 30 days or less before or after the sale of the stock.

Thirty/Three Sixty (30/360) Day count convention for calculating interest accrued on corporate bonds, municipal bonds, and agency bonds in the U.S. Uses 30 days in a month and 360 days in a year for calculating interest payments. Also see Day count convention.

Three steps and a stumble rule A rule predicting that stock and bond prices will fall following three increases in the discount rate by the Federal Reserve. This is a result of increased costs of borrowing for companies and the increased attractiveness of money market funds and CDs over stocks and bonds as a result of the higher interest rates.

Three-phase DDM A version of the dividend discount model that applies a different expected dividend rate depending on a company's life-cycle phase: growth phase, transition phase, or maturity phase.

Threshold for refinancing The point when the weighted-average coupon of an MBS is at a level to induce homeowners to prepay the mortgage in order to refinance to a lower-rate mortgage, generally reached when the weighted-average coupon of the MBS is 2 percentage points or more above currently available mortgage rates.

Thrift institution An organization formed as a depository for primarily consumer savings. Savings and loan associations and savings banks are thrift institutions.

Thrift Institution Advisory Council (TIAC) A council, established following the passage of the Monetary Control Act of 1980, whose purpose is to provide information and views on the special needs and problems of thrifts. The group is comprised of representatives of savings banks, savings and loan associations, and creditor unions.

Thrift plan A defined contribution plan in which an employee contributes, usually on a before-tax basis, toward the ultimate benefits that will be provided. The employer usually agrees to match all or a portion of the employee's contributions.

Thrift savings plan A defined contribution plan for civil service employees, retirees, and for members of the uniformed services of the United States. TSP is similar to 401(K) plan offered in the private sector.

Throughput agreement An agreement to put a specified amount of product per period through a particular facility. An example is an agreement to ship a specified amount of crude oil per period through a particular pipeline.

Tick Refers to the minimum change in price a security can have, either up or down. Related: Point.

Tick indicator A market indicator based on the number of stocks whose last trade was an uptick or a downtick. Used as an indicator of market sentiment or psychology to try to predict the market's trend.

Tick-test rules SEC-imposed restrictions on when a short sale may be executed, intended to prevent investors from destabilizing the price of a stock when the market price is falling. A short sale can be made only when either (1) the sale price of the particular stock is higher than the last trade price (referred to as an uptick trade) or (2) if there is no change in the last trade price of the particular stock, the previous trade price must be higher than the trade price that preceded it (referred to as a zero uptick).

Ticker symbol An abbreviation assigned to a security for trading purposes.

Ticker tape Computerized device that relays to investors around the world the stock symbol and the latest price and volume on securities as they are traded.

Ticket An abbreviation of order ticket.

Tier 1 and Tier 2 Descriptions of the capital adequacy of banks. Tier 1 refers to core capital while Tier 2 refers to items such as undisclosed resources.

TIGER See: Treasury Investors Growth Receipt

Tight In line with or extremely close to the inside market or last sale in a stock (+/- 1/8). On the money.

Tight market A market in which volume is high, trading is active and highly competitive, and consequently spreads between bid and ask prices are narrow.

Tight money When a restricted money supply makes credit difficult to secure. The antithesis of tight money is easy money.

TIIS See: Treasury inflation-indexed securities

Tiki Tick of Dow Jones Industrial Average component issues.

Tilted portfolio An indexing strategy that is linked to active management through the emphasis of a particular industry sector, selected performance factors such as earnings momentum, dividend yield, price-earnings ratio, or selected economic factors such as interest rates and inflation.

Time decay Related: Theta

Time deposit Interest-bearing deposit at a savings institution that has a specific maturity. Related: Certificate of deposit.

Time draft Demand for payment at a stated future date.

Time horizon The period, usually expressed in years, for which an investor expects to hold an investment.

Time Letter of Credit See: Usance Letter of Credit.

Time order Order that becomes a market or limited price order or is canceled at a specific time.

Time premium Also called time value, the amount by which an option price exceeds its intrinsic value. The value of an option beyond its current exercise value representing the optionholder's control until expiration, the risk of the underlying asset, and the riskless return.

Time series models Systems that examine series of historical data; sometimes used as a means of technical forecasting, by examining moving averages.

Time spread strategy Buying and selling puts and calls with the same exercise price but different expiration dates, and trying to profit from the different premiums of the options.

Time to maturity The time remaining until a financial contract expires. Also called time until expiration.

Time until expiration The time remaining until a financial contract expires. Also called time to maturity.

Time value Applies to derivative products. Portion of an option price that is in excess of the intrinsic value, due to the amount of volatility in the stock; sometime referred to as premium. Time value is positively related to the length of time remaining until expiration.

Time value of an option The portion of an option's premium that is based on the amount of time remaining until the expiration date of the option contract, and the idea that the underlying components that determine the value of the option may change during that time. Time value is generally equal to the difference between the premium and the intrinsic value. Related: In the money.

Time value of money The idea that a dollar today is worth more than a dollar in the future, because the dollar received today can earn interest up until the time the future dollar is received.

Time value premium The amount by which an option's total premium exceeds its intrinsic value.

Time-series analysis Assessment of relationships between two or among more variables over periods of time.

Time-weighted rate of return Related: Geometric mean return

Time-Zone Arbitrage A form of stale price arbitrage where the pricing discrepancies are due to the primary markets for the underlying securities being closed at the times that the fund is traded. Note that time zone arbitrage is sometimes mistakenly used if it were a pure synonym for stale price arbitrage. These are not synonyms since stale prices can also be due to illiquid stocks or bonds that are not traded frequently.

Timeliness A source of competitive advantage that depends on being the first to enter a given market with a product or service.

Times-interest-earned ratio Earnings before interest and tax, divided by interest payments.

Timing See: Market timing

Timing option The seller's choice of when in the delivery month to deliver. A Treasury Bond or note futures contract.

Tip Information given by one trader to another, which is used in making buy or sell decisions but is not available to the general public.

TIPS See: Treasury inflation-protected securities

Tired Has been strong for a while and will probably fall due to increased supply at current price level (due to e.g. profit taking, technical analysis). Heavy.

TITAL See: Transaction insured trade acceptance locator

Title insurance Insurance policy that protects a policyholder from future challenges to the title claim a property that may result in loss of the property.

TJ The two-character ISO 3166 country code for TAJIKISTAN.

TJK The three-character ISO 3166 country code for TAJIKISTAN.

TJR The ISO 4217 currency code for the Tajikistan Rouble.

TK The two-character ISO 3166 country code for TOKELAU.

TKL The three-character ISO 3166 country code for TOKELAU.

TKM The three-character ISO 3166 country code for TURKMENISTAN.

TL The two-character ISO 3166 country code for TIMOR-LESTE.

TLS The three-character ISO 3166 country code for TIMOR-LESTE.

TM The two-character ISO 3166 country code for TURKMENISTAN.

TMM The ISO 4217 currency code for the Turkmenistan Manet.

TN The two-character ISO 3166 country code for TUNISIA.

TNCs Transnational corporations. Corporations with business in multiple countries.

TND The ISO 4217 currency code for the Tunisian Dinar.

TO The two-character ISO 3166 country code for TONGA.

To be announced (TBA) A contract for the purchase or sale of an MBS to be delivered at an agreed-upon future date but does not include a specified pool number and number of pools or precise amount to be delivered.

Tobin's Q Market value of assets divided by replacement value of assets. A Tobin's Q ratio greater than 1 indicates the firm has done well with its investment decisions. Named after James Tobin, Yale University economist.

Toehold purchase Often used in risk arbitrage. Accumulation by an acquirer of less than 5% of the shares of a target company. Once 5% is acquired, the acquirer must file with the SEC and other agencies to explain its intentions and notify the acquiree. See: Rule 13d.

Tokyo Commodity Exchange (TOCOM) Tokyo exchange for trading futures on gold, silver, platinum, palladium, rubber, cotton yarn, and woolen yarn.

Tokyo International Financial Futures Exchange Exchange that trades Euroyen futures and options, and futures on the one-year Euroyen, three-month eurodollar, and US dollar/Japanese yen currency.

Tokyo Stock Exchange (TSE) The largest stock exchange in Japan with the some of the most active trading in the world.

Toll revenue bond A municipal bond that is repaid with revenues from tolls that are paid by users of the public project built with the bond revenue.

Tolling agreement An agreement to put a specified amount of raw material per period through a particular processing facility. For example, an agreement to process a specified amount of alumina into aluminum at a particular aluminum plant.

Tom next Means to "tomorrow next". In the interbank market in Eurodollar deposits and the foreign exchange market, the value (delivery) date on a tom next transaction is the next business day.

Tombstone Advertisement listing the underwriters of a security issue.

TON The three-character ISO 3166 country code for TONGA. TON The three-character ISO 3166 country code for TONGA.

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Too-big-too-fail Government practices that protect large banking organizations from the normal discipline of the marketplace because of concerns that such institutions are so important to markets and their positions so intertwined with those of other banks that their failure would be unacceptably disruptive, financially and economically.

TOP The ISO 4217 currency code for the Tonga Pa'anga. TOP The ISO 4217 currency code for the Tonga Pa'anga.

TOP The ISO 4217 currency code for the Tonga Pa'anga. TOP The ISO 4217 currency code for the Tonga Pa'anga.

Top-down approach A method of security selection that starts with asset allocation and works systematically through sector and industry allocation to individual security selection.

Top-down equity management style Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries. The bottom-up manager, in contrast, selects specific securities within the particular sectors.

Top-heavy At a price level where supply is exceeding demand. See: Resistance level.

Topline growth Growth in revenues. Refers to overall growth rather than segment growth. Also see: Bottomline growth.

Topline performance Usually refers to overall earnings for a corporation (as opposed to earnings by segment).

Topping out Denoting a market or a security that is at the end of a period of rising prices and can now be expected to stay on a plateau or even to decline.

Toronto Stock Exchange (TSX) Canada's largest stock exchange which was founded in 1861, the trading floor closed in 1997 and it became a completely electronic exchange. As of 2000, the TSX became a private company. In 2001, the TSX acquired the Canadian Venture Exchange which was renamed the TSX Venture Exchange. The average stock price is represented by the S&P/TSX Composite Index (which replaced the TSE 300 on May 1, 2002).

Total Complete amount of buy or sell interest, as opposed to having more behind it. See: Partial.

Total asset turnover The ratio of net sales to total assets.

Total capitalization The total long-term debt and all types of equity of a company that constitutes its capital structure.

Total cost The price paid for a security plus the broker's commission and any accrued interest that is owed to the seller (in the case of a bond).

Total debt-to-equity ratio A capitalization ratio comparing current liabilities plus long-term debt to shareholders' equity.

Total dollar return The dollar return on a nondollar investment, which includes the sum of any dividend/interest income, capital gains or losses, and currency gains or losses on the investment. See also: Total return.

Total Market Capitalization The total market value of all of a firm's outstanding securities.

Total return In performance measurement, the actual rate of return realized over some evaluation period. In fixed income analysis, the potential return that considers all three sources of return (coupon interest, interest on coupon interest, and any capital gain/loss) over some investment horizon.

Total return for calendar year The profit or loss realized by an investment at the end of a specified calendar year, stated as the percentage gained or lost per dollar invested on January 1.

Total revenue Total sales and other revenue for the period shown. Known as “turnover” in the U.K.

Total risk The sum of systematic and unsystematic risk.

Total volume The total number of shares or contracts traded on national and regional exchanges in a stock, bond, commodity, future, or option on a certain day.

Touch, the Mainly applies to international equities. Inside market in London terminology.

Tough on price Firm price mentality at which one wishes to transact stock, often at a discount/premium that is not available at the time.

Tout To promote a security in order to attract buyers.

Toxic assets In the context of the 2007-2009 recession, the term refers to assets like mortgage backed securities and collateralized debt obligations that are illiquid and difficult to value. If the value of the underlying assets falls significantly, these securities could lose value rapidly (aggravated by the lack of liquidity and transparency in price) which could lead to significant write-downs (and hence losses) for holders of these toxic assets.

Toxic Convertible Used by companies that are in such bad shape, that there is no other way to get financing. This instrument is similar to a convertible bond, but convertible at a discount to the share price at issuance and for a fixed dollar amount rather than a specific number of shares. The further the stock falls, the

more shares you get. Popular in the mid to late 1990s. Also known as death spiral convertibles or floorless convertibles.

TP The two-character ISO 3166 country code for EAST TIMOR.

TR The two-character ISO 3166 country code for TURKEY.

Tracers Refers to investment trusts which are populated by corporate bonds. In October 2001, Morgan Stanley's Tradable Custodial Receipts (Tracers) was launched. Tracers contain a number of corporate bonds and credit default swaps which are selected for liquidity and diversity. Lehman Brothers launched a similar product, Targeted Return Index Securities (Trains) in January 2002. Both contain investment grade bonds. If a bond falls out of the investment grade category, it is either liquidated from the trust or delivered to the investor. Both Tracers and Trains are 144a trust structures and are only available to qualified buyers because they are considered private securities due to the trust structure.

Tracker Mortgage A type of mortgage for which the interest rate tracks Bank of England's interest rate.

Tracking error In an indexing strategy, the standard deviation of the difference between the performance of the benchmark and the replicating portfolio.

Tracking stock Best defined with an example. Suppose Company A purchases a business from Company B and pays B with 1 million shares of A's stock. The agreement provides that B cannot sell the 1 million shares for 60 days, and also prohibits B from hedging by purchasing put options on A's shares or short-selling A's shares. B is worried that the market may fall in the next 60 days. B could hedge by purchasing put options or selling the futures on the S&P 500. However, it is possible that A's business is much more cyclical than the S&P 500. One solution to this problem is to find a tracking stock. This is a stock that has high correlation with A. Let us call it Company C. The solution is to sell short or buy protective put options on this tracking stock C. This protects B from fluctuations in the price of A's stock over the next 60 days. Because the degree of the protection is related to the correlation of A and C's stock, it is extremely unlikely that the protection is perfect. Multidivisional firms have used a form of restructuring called tracking stock since 1984 to segment the performance of a particular division – similar to a spin-off or carve-out, except that the parent firm does not relinquish control of the tracked division.

Previously, this was known as alphabet stock, but the technically correct name is tracking stock (e.g., EDS traded for years as a tracking stock of GM). This is a way to reward managers for good divisional performance with an equity that is tied to their division-rather than potentially penalizing them compensation for bad performance in a division they have no control over.

Trade An oral (or electronic) transaction involving one party buying a security from another party. Once a trade is consummated, it is considered “done” or final. Settlement occurs 1-5 business days later.

Trade acceptance Written demand that has been accepted by an industrial company to pay a given sum at a future date. Related: Banker’s acceptance.

Trade away Trade execution by another broker/dealer.

Trade balance Overall result of a country’s exports.

Trade credit Credit one firm grants to another firm for the purchase of goods or services. That is, when the goods are delivered, the recipient does not have to pay immediately for the goods - a credit is given with terms for payment (say 30 days). This potentially allows the vendor to sell the goods and use the sale proceeds payoff the credit obligation.

Trade date The date that the counterparties in an interest rate swap commit to the swap. Also, the day on which a security or a commodity future trade actually takes place. Trades generally settle (are paid for) 1-5 business days after a trade date. With stocks, settlement is generally 3 business days after the trade. The settlement date usually follows the trade date by five business days, but varies depending on the transaction and method of delivery used.

Trade debt Accounts payable.

Trade deficit or surplus The difference in the value of a nation’s imports over exports (deficit) or exports over imports (surplus).

Trade draft A draft addressed to a commercial enterprise. See: Draft.

Trade finance Usually refers to financial transactions involving the exports and imports. This could involve payment facilities, downpayments, hedging, guarantees, and transportation linked issues.

Trade flat For convertibles, trade without accrued interest. Preferred stock always “trades flat,” as do bonds on which interest is in default or is in doubt. In general, trade in and out of a position at the same price, neither making a profit nor taking a loss.

Trade house A firm that deals in actual commodities.

Trade Lanes The direction of trade, e.g. US to Europe.

Trade on the wire Immediately give a bid or offer to a salesperson without checking the floor conditions (listed), dealer depth (OTC) or customer interest. An aggressive trading posture.

Trade on top of Trade at a narrow spread or no spread in basis points relative to some other bond yield, usually Treasury bonds.

Trade reporting Dealer: In a trade between two registered Market Participants (MP), only the sell side reports the trade. Auction: In a trade between two member firms, only the sell side reports the trade. Dealer: In a trade between a registered MP and a non-registered MP (Market Maker not registered in a particular stock, an ECN, etc.), the registered MP reports the trade as a buy or sell. Auction: Trading can occur ONLY between two member firms. (Thus, a buy is never reported.)

Trade Surplus A nation’s excess of exports over imports during a given time frame.

Trade-weight value of the dollar The value of the dollar pegged to, a market basket of selected foreign currencies. The Federal Reserve calculates a trade-weighted value of the dollar based on the weighted-average exchange value of the dollar against the currencies of 10 industrial countries.

Trademark A distinctive name or symbol used to identify a product or company and build recognition. Trademarks may be registered with the US Patent and Trademark Office.

Traders Individuals who take positions in securities and their derivatives with the objective of making profits. Traders can make markets by trading the flow. When they do this, their objective is to earn the bid/ask spread. Traders can also take proprietary positions in which they seek to profit from the directional movement of prices or spread positions.

Trades by appointment A stock that is very difficult to trade to because of illiquidity.

Trading Buying and selling securities.

Trading Ahead A New York Stock Exchange rule violation. Basically, in this situation the specialist puts their firm's interest ahead of the investor's interest. Consider an example. Suppose that the specialist simultaneously receives orders from two investors, one to sell 5,000 shares of XYZ and one to buy 5,000 shares of XYZ. Normally, these orders are matched. However, suppose that the specialist substitutes (matches) her own firm's 5,000 shares of XYZ. That is, the firm's own shares are sold instead of the order that came in previously. This disadvantages the buyer because the very next transaction will be the order to sell 5,000 shares of XYZ (which will likely put downward pressure on the price). Notice that the firm has bailed out of XYZ at a higher price than if the order was reversed (the specialist's firm selling afterwards). Trading ahead is part of what is known as negative obligation. Trading ahead should not be confused with front-running.

Trading authorization A document (power of attorney) a customer gives to a broker in order that the broker may buy and sell securities on behalf of the customer.

Trading costs Costs of buying and selling marketable securities and borrowing. Trading costs include commissions, slippage, and the bid/ask spread. See: Transactions costs.

Trading desk (dealing desk) Personnel at an international bank who trade spot and forward foreign exchange.

Trading dividends Maximizing a firm's revenues by purchasing stock in other firms in order to collect the maximum amount of dividends of which 70% is tax-free.

Trading halt When trading of a stock, bond, option or futures contract is stopped by an exchange while news is being broadcast about the security. See: Suspended trading.

Trading limit The exchange-imposed maximum daily price change that a futures contract or futures option contract can undergo.

Trading paper CDs purchased by accounts that are likely to resell them. The term is commonly used in the Euromarket.

Trading pattern Long-range direction of a security or commodity futures price, charted by drawing one line connecting the highest prices the security has reached and another line connecting the lowest prices at which the security has traded over the same period. See: Technical analysis.

Trading posts The positions on the floor of a stock exchange where the specialists stand and securities are traded.

Trading price The price at which a security is currently selling.

Trading profit The profit earned on short-term trades of securities held for less than one year, subject to tax at normal income tax rates.

Trading range The difference between the high and low prices traded during a period of time; for commodities, the high/low price limit an exchange establishes for a specific commodity for any one day's trading.

Trading securities Investment in securities with the intention of selling them in the short term for a profit. These are reported at market value. Unrealized gains or losses on these investments appear in the Net Income for the period. Also see Available for Sale, Held to Maturity.

Trading strategy A disciplined method of buying and selling assets that involves working within a predefined set of rules for making trading decisions. Examples are the covered position, CPPI, index arbitrage and multirule system.

Trading symbol See: Ticker symbol

Trading unit The number of shares of a particular security that is used as the acceptable quantity for trading on the exchanges.

Trading variation The increments to which securities prices are rounded up or rounded down.

Trading volume The number of shares transacted every day. As there is a seller for every buyer, one can think of the trading volume as half of the number of shares transacted. That is, if A sells 100 shares to B, the volume is 100 shares.

Traditional IRA A tax-deferred individual retirement account that allows annual contributions of up to \$2000 for each income earner. Contributions are fully deductible for all individuals who are not active participants in employer-sponsored plans or for plan participants within certain income ranges.

Traditional view (of dividend policy) An argument that, “within reason,” investors prefer higher dividends to lower dividends because the dividend is sure but future capital gains are uncertain.

Trailing earnings Past earnings. Often used in the context of the price earnings ratio. This ratio is usually distinguished as price to trailing earnings (today’s price divided by the most recent 12 months of earnings) versus price to prospective earnings (today’s price divided by consensus forecast earnings for the next 12 months).

Trailing returns Past returns of a fund or a company over a given time period.

Trailing sales Past sales. Often used in the valuation of companies that have negative cash flows or earnings. The company is said to be valued at some multiple of past sales - usually, the last 12 months sales.

Trains Refers to investment trusts which are populated by corporate bonds. In October 2001, Morgan Stanley's Tradable Custodial Receipts (Tracers) was launched. Tracers contain a number of corporate bonds and credit default swaps which are selected for liquidity and diversity. Lehman Brothers launched a similar product, Targeted Return Index Securities (Trains) in January 2002. Both contain investment grade bonds. If a bond falls out of the investment grade category, it is either liquidated from the trust or delivered to the investor. Both Tracers and Trains are 144a trust structures and are only available to qualified buyers because they are considered private securities due to the trust structure.

Tranche One of several related securities offered at the same time. Tranches from the same offering usually have different risk, reward, and/or maturity characteristics.

Transaction The delivery of a security by a seller and its acceptance by the buyer.

Transaction account A checking or similar account from which transfers can be made to third parties. Demand-deposit accounts, negotiable order of withdrawal NOW accounts, automatic transfer service (ATS) accounts, and credit union share draft accounts are examples of transaction accounts at banks and other depository institutions.

Transaction demand (for money) The money needed to accommodate a firm's expected cash transactions.

Transaction exposure Risk to a firm with known future cash flows in a foreign currency, that arises from possible changes in the exchange rate. Related: Translation exposure.

Transaction fee A charge an intermediary, such as a broker-dealer or a bank, assesses for assisting in the sale or purchase of a security.

Transaction Insured Trade Acceptance Locator (TITAL) A trade acceptance through an insurance entity (rather than a bank) which is conditional upon exporter performance.

Transaction loan A loan extended by a bank for a specific purpose. Lines of credit and revolving credit agreements involve by contrast loans that can be used for various purposes.

Transaction risk The risk of changes in the home currency value of a specific future foreign currency cash flow.

Transaction tax Applies mainly to international equities. Levies on a deal that foreign governments sometimes charge.

Transactions costs The time, effort, and money necessary, including such things as commission fees and the cost of physically moving the asset from seller to buyer. Transactions costs should also include the bid/ask spread as well as price impact costs (for example a large sell order could lower the price). Related: Round-trip transactions costs, information costs, search costs.

Transactions motive A desire to hold cash in order to conduct cash-based transactions.

Transcript of Account A listing of all prior and present registered securityholder account information.

Transfer A change of ownership from one person or party to another.

Transfer agent Individual or institution a company appoints to look after the transfer of securities.

Transfer On Death (TOD) The process of changing title of a security from one name to another upon the death of one of the titleholders.

Transfer payments Payments from a government to its citizens, such as welfare and other government benefits.

Transfer price The price at which one unit of a firm sells goods or services to another unit of the same firm.

Transfer risk The risk associated with the possibility of a currency not being able to be sent out of the country, usually due to central bank restrictions or a national debt rescheduling.

Transfer tax A small federal tax on the movement of ownership of all bonds (except obligation of the US, foreign governments, states, and municipalities) and all stocks.

Transferable letter of credit Document that allows the first beneficiary on a standby bank assurance of funds to transfer all or part of the original letter of credit to a third party.

Transferable put right An option issued by a firm to its shareholders to sell the firm one share of its common stock at a fixed price (the strike price) within a stated period (the time to maturity). The put right is “transferable” because it can be traded in the capital markets.

Transferable Stock Options Options that provide by their terms that they may be transferred by the optionee, generally only to a family member or to a trust, limited partnership or other entity for the benefit of family members, or to a charity.

Transferee The party who has received the benefits of a letter of credit by action of a transfer.

Transferor The beneficiary of a transferable letter of credit who causes a bank to transfer the credit to another party.

Transition phase A stage of development when a company begins to mature and its earnings decelerate to the rate of growth of the economy as a whole. Related: Three-phase DDM.

Translation exposure Risk of adverse effects on a firm's financial statements that may arise from changes in exchange rates. Related: Transaction exposure.

Translation Risk The risk of changes in the reported home currency accounting results of foreign operations due to changes in currency exchange rates.

Transmittal letter A letter describing the contents and purpose of a transaction delivered with a security that is changing ownership.

Transshipment The passing goods from one ocean vessel to another.

Travel and entertainment expense Funds spent on business travel and entertainment that qualify for a tax deduction of 50% of the amount claimed.

Treasurer The corporate officer responsible for designing and implementing a firm's financing and investing activities.

Treasurer's check A check issued by a bank to make a payment. Treasurer's checks outstanding are counted as part of a bank's reservable deposits and as part of the money supply.

Treasuries Related: Treasury securities

Treasury US Department of the Treasury, which issues all Treasury bonds, notes, and bills as well as overseeing agencies. Also, the department within a corporation that oversees its financial operations including the issuance of new shares.

Treasury bills Debt obligations of the US Treasury that have maturities of one year or less. Maturities for T-bills are usually 91 days, 182 days, or 52 weeks. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The interest is the difference between the purchase price of the bill and the amount that is paid to you either at maturity (this amount is the face value) or when you sell the bill prior to maturity.

Treasury bonds Debt obligations of the US Treasury that have maturities of more than 10 years.

Treasury Borrowing Advisory Committee Also, known as TBAC or the “Borrowing Committee” of The Securities Industry and Financial Markets Association (SIFMA) is an advisory committee governed by federal statute that meets quarterly with the Treasury Department. The Borrowing Committee’s membership is comprised of senior representatives from investment funds and banks. The Borrowing Committee presents their observations to the Treasury Department on the overall strength of the U.S. economy as well as providing recommendations on a variety of technical debt management issues - such as the maturity structure of new bond offerings. The Securities Industry and Financial Markets Association does not participate in the deliberations of the Borrowing Committee.

Treasury certificates From 1963 to 1975, the Treasury issued something called a “Treasury Certificates”. It was a nonmarketable, public issue with a short maturity, usually three months and never more than a one year. They were issued once or twice every month with odd interest rates (such as 5.471% and 6.053%) and sold at par.

Treasury convenience yield The value investors assign to the liquidity and safety attributes offered by Treasuries.

Treasury direct A system allowing an individual investor to make a noncompetitive bid on US Treasury securities and thus avoid broker-dealer fees.

Treasury Inflation-Indexed Securities (TIIS) Refers to a broad range of U.S. Treasury securities that are inflation indexed. The most popular are the TIPS. The index for measuring the inflation rate is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U), published monthly by the Bureau of Labor Statistics (BLS).

Treasury Inflation-Protected Security (TIPS) First issued by the U.S. Treasury in 1997, these Treasury bonds attempt to protect investors against fluctuations in inflation by linking the principal amount to the consumer price index. Each year, the principal is adjusted by the inflation rate during the previous year. The index for measuring the inflation rate is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U), published monthly by the Bureau of Labor Statistics (BLS). These bonds are taxable. Indeed, one must pay tax on both the interest and the increase in

principal. TIPS are one of two types of inflation-indexed securities sold by the U.S. Treasury; the other type is Series I Savings Bonds.

Treasury Investors Growth Receipt (TIGER) US government-backed bonds without coupons, meaning that the bondholders do not receive the periodic interest payments. The principal of the bond and the individual coupons are sold separately.

Treasury management Refers to the part of the corporation that in charge of obtaining, maintaining, servicing the company or organization's loans, lines of credit, hedging operations, and other capital raising activities. Treasury would also interact with rating agencies. Sometimes called Treasury Operations.

Treasury notes Debt obligations of the US Treasury that have maturities of more than one year, but not more than 10 years.

Treasury operations Refers to the part of the corporation that in charge of obtaining, maintaining, servicing the company or organization's loans, lines of credit, hedging operations, and other capital raising activities. Treasury would also interact with rating agencies. Sometimes called Treasury Management.

Treasury securities Securities issued by the US Department of the Treasury.

Treasury Shares Shares issued in the name of the corporation. The shares are considered issued, but not outstanding. Usually refers to stock that was once traded in the market but has since been repurchased by the corporation. Treasury stock not considered when calculating dividends or earnings per share.

Treasury stock Common stock that has been repurchased by the company and held in the company's treasury.

Treat me subject In the equities market, a conditional bid or offer. "My bid or offer is not firm, but is subject to confirmation between other parties and to market changes."

Trecentillion A unit of quantity equal to 10903 (1 followed by 903 zeros).

Tredecillion A unit of quantity equal to 1042 (1 followed by 42 zeros).

Trend The general direction of the market.

Trend following A trading method that makes trading decisions through the use of computer models that determine the general direction of the market. Most of these models are based on momentum and that is why they are called trend following.

Trend Ratio Analysis The comparison of the successive values of each ratio for a single firm over a number of years.

Trendline A technical chart line that depicts the past movement of a security and that is used in an attempt to help predict future price movements.

Trenonagintillion A unit of quantity equal to 10282 (1 followed by 282 zeros).

Treoctogintillion A unit of quantity equal to 10252 (1 followed by 252 zeros).

Trequadragintillion A unit of quantity equal to 10132 (1 followed by 132 zeros).

Trequinquagintillion A unit of quantity equal to 10162 (1 followed by 162 zeros).

Treseptuagintillion A unit of quantity equal to 10222 (1 followed by 222 zeros).

Tresexagintillion A unit of quantity equal to 10192 (1 followed by 192 zeros).

Tretrigintillion A unit of quantity equal to 10102 (1 followed by 102 zeros).

Trevigintillion A unit of quantity equal to 1072 (1 followed by 72 zeros).

Treynor Index A measure of the excess return per unit of risk, where excess return is defined as the difference between the portfolio's return and the risk-free rate of return over the same evaluation period and where the unit of risk is the portfolio's beta. Named after Jack Treynor.

Trial balance Prepared at the close of an accounting period, it is a record of general ledger account titles with their respective debit and credit balances.

Trickle down An economic theory that the support of businesses that allows them to flourish will eventually benefit middle- and lower-income people, in the form of increased economic activity and reduced unemployment.

Trigintillion A unit of quantity equal to 1093 (1 followed by 93 zeros).

TRIN Name derived from TRading INdex. Also known as an ARMS index. The index is usually calculated as the number of advancing issues divided by the number of declining issues. This, in turn, is divided by the advancing volume divided by the declining volume. If there is considerably more advancing volume relative to declining volume this will tend to reduce the index (i.e. increase the denominator). Hence, a value less than 1.0 is bullish while values greater than 1.0 indicate bearish demand. The index often is smoothed with a simple moving average.

Triple net lease A lease providing that the tenant pay for all maintenance expenses, plus utilities, taxes, and insurance. This results in lower risk for investors, who usually form a limited partnership.

Triple tax-exempt Municipal bonds featuring federal, state, and local tax-free interest payments.

Triple witching hour The four times a year that the S&P futures contract expires at the same time as the S&P 100 index option contract and option contracts on individual stocks. It is the last trading hour on the third Friday of March, June, September, and December, when stock options, futures on stock indexes, and options on these futures expire concurrently. Massive trades in index futures, options, and underlying stock by hedge strategists and arbitrageurs cause abnormal activity (noise) and volatility.

TRL The ISO 4217 currency code for the Turkish Lira.

Troubled Asset Relief Program (TARP) A \$700 billion fund created in response to the credit crunch that hit the US in 2008. The original intent of the fund was to allow the Treasury to buy illiquid mortgage-related assets. The fund was ultimately used to provide direct capital infusions to distressed financial institutions.

Troubled assets In context of the Troubled Asset Relief Program, the term “troubled asset” is defined as: (A) Mortgages, mortgage backed securities, and instruments derived from these that were originated on or before March 14, 2008, and (B) Any other financial instrument the purchase of which is necessary to promote financial market stability.

Trough The transition point between economic recession and recovery.

True interest cost For a security such as commercial paper that is sold on a discount basis, true interest cost is the coupon rate required to provide an identical return assuming a coupon-bearing instrument of like maturity that pays interest in arrears.

True lease A contract that qualifies as a valid lease agreement under the Internal Revenue Code.

Trust A fiduciary relationship calling for a trustee to hold the title to assets for the benefit of the beneficiary. The person creating the trust, who may or may not also be the beneficiary, is called the grantor.

Trust company An organization that acts as a fiduciary and administers trusts.

Trust deed Agreement between trustee and borrower setting out terms of a bond.

Trust fund transaction An intra budgetary financial arrangement in which both payments and receipts occur within the same trust fund group.

Trust Indenture Act of 1939 A law that requires all corporate bonds and other debt securities to be issued subject to indenture agreements and comply with certain indenture provisions approved by the SEC.

Trust receipt Receipt for goods that are to be held in trust for the lender.

Trustee Agent of a bond issuer who handles the administrative aspects of a loan and ensures that the borrower complies with the terms of the bond indenture.

Trustee in bankruptcy An appointed trustee who supervises and administers the affairs of a bankrupt company or individual.

Truth in lending law Legislation governing the granting of credit, that requires lenders to disclose the true cost of loans and the actual interest rates and terms of the loans in a manner that is easily understood.

TSE 300 (Toronto Stock Exchange index) The stock price index representing a market capitalization average price on the Toronto Stock Exchange. This index was replace in May 2002 by the S&P/TSX Composite Index.

TSLF See: Term Securities Lending Facility.

TSP See: Thrift Savings Plan

TSX Composite Index (Toronto Stock Exchange index) In May 2002 by the S&P/TSX Composite Index replaced the TSE300 index. The TSX index has over 200 constituents.

TSX60 Index (Toronto Stock Exchange index) The S&P/TSX Index of the 60 largest capitalization firms on the Toronto Stock Exchange.

TT The two-character ISO 3166 country code for TRINIDAD AND TOBAGO.

TT&L account Treasury tax and loan account at a bank.

TTD The ISO 4217 currency code for the Trinidad and Tobago Dollar.

TTM Trailing 12 months. Often used with Earnings Per Share.

TTO The three-character ISO 3166 country code for TRINIDAD AND TOBAGO.

TUN The three-character ISO 3166 country code for TUNISIA.

TUR The three-character ISO 3166 country code for TURKEY.

Turkey A losing investment.

Turn In the equities market, a reversal; unwind.

Turnaround Securities bought and sold for settlement on the same day. Also describes a firm that has been performing poorly, but changes its financial course and improves its performance.

Turnaround time Time available or needed to effect a turnaround.

Turnkey construction contract A type of construction contract under which the construction firm is obligated to complete a project according to prespecified criteria for a price that is fixed at the time the contract is signed.

Turnover For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented one-fourth of the assets of the fund. For finance, the number of times a given asset, such as inventory, is replaced during the accounting period, usually a year. For corporate finance, the ratio of annual sales to net worth, representing the extent to which

a company can grow without outside capital. For markets, the volume of shares traded as a percent of total shares listed during a specified period, usually a day or a year. For Great Britain, total revenue. Percentage of the total number of shares outstanding of an issue that trades during any given period.

Turnover rate Measures trading activity during a particular period. Portfolios with high turnover rates incur higher transaction costs and are more likely to distribute capital gains, which are taxable to nonretirement accounts.

TUV The three-character ISO 3166 country code for TUVALU.

TV The two-character ISO 3166 country code for TUVALU.

TW The two-character ISO 3166 country code for TAIWAN, PROVINCE OF CHINA.

TWD The ISO 4217 currency code for the Taiwan Dollar.

Twenty bond index A benchmark indicator of the level of municipal bond yields. It consists of the yields on 20 general obligation municipal bonds with 20-year maturities with an average rating equivalent to all.

Twenty-day period The period during which the SEC inspects registration statement and preliminary prospectus prior to a new issue or secondary distribution.

Twisting Convincing a customer that trades are necessary in order to generate a commission. This is an unethical practice.

TWN The three-character ISO 3166 country code for TAIWAN, PROVINCE OF CHINA.

Two dollar broker Floor broker of the NYSE, who executes orders for other brokers having more business at that time than they can handle with their own private floor brokers or who do not have their exchange member on the floor.

Two-factor model Usually, Fischer Black's zero-beta version of the capital asset pricing model. It may also refer to another type of model whereby expected returns are generated by any two factors.

Two-fund separation theorem The theoretical result that all investors will hold a combination of the risk-free asset and the market portfolio.

Two-sided market A market in which both bid and asked prices, good for the standard unit of trading, are quoted. When customers or market makers are lined up on both sides (buy and sell) of a stock.

Two-state option pricing model A pricing equation allowing an underlying asset to assume only two possible (discrete) values in the next time period for each value it can take on in the preceding time period. Also called the binomial option pricing model.

Two-tier bid Takeover bid in which the acquirer offers to pay more for the shares needed to gain control than for the remaining shares, or to pay the same price but at different times in the merger period; contrasts with any-or-all bid.

Two-tier tax system Taxation system that results in taxing the income going to shareholders twice.

Two-twenty (2/20) Refers to the fee structure of hedge funds – annual management fee of 2% of assets and performance fee of 20% of profits.

Type The classification of an option contract as either a put or a call.

TZ The two-character ISO 3166 country code for TANZANIA, UNITED REPUBLIC OF.

TZA The three-character ISO 3166 country code for TANZANIA, UNITED REPUBLIC OF.

TZS The ISO 4217 currency code for the Tanzania Shilling.

Tether A cryptocurrency known as a stablecoin that is claimed to be collateralized with US dollars.

U-turn transactions Refers to a way for U.S. dollar transactions to take place where the customer or the seller is facing U.S. sanctions. For example, before November 2008, the U.S. Department of Treasury's Office of Foreign Asset Controls allowed some transactions with Iran (in non-prohibited goods) as long the transfer was initiated by a non-Iranian bank and passed through the U.S. system (the U-turn) on the way to another non-Iranian bank. The U-turn practice was terminated on November 10, 2008 with amendments to the Iranian Transactions Regulations, 31 CFR Part 560.

U.S. Dollar Index Measures the U.S. dollar's value against a basket of six overseas denominations. See also UDN, UUP.

U.S. Treasury securities Interest-bearing obligations if the U.S. government issued by the U.S. Department of the Treasury as a means of borrowing money to meet government expenditures not covered by tax revenues. There are three types of marketable Treasury securities-bills, notes and bonds.

UA The two-character ISO 3166 country code for UKRAINE.

UAH The ISO 4217 currency code for the Ukraine Hryvnia.

UBTI See: Unrelated Business Tax Income

UCITS See: Undertakings for Collective Investments in Transferable Securities
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UCITS II See: Undertakings for Collective Investments in Transferable Securities II

UCITS III See: Undertakings for Collective Investments in Transferable Securities III

UCITS IV See: Undertakings for Collective Investments in Transferable Securities IV

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UCITS VI See: Undertakings for Collective Investments in Transferable Securities VI

UDN PowerShares DB US Dollar Index Bearish. This index measures the dollar against a basket of six other currencies: the euro, the Japanese yen, the British pound, the Canadian dollar, the Swedish krona and the Swiss franc. Allows investors to make short bets on the direction of the dollar. See also UUP.

UG The two-character ISO 3166 country code for UGANDA.

UGA The three-character ISO 3166 country code for UGANDA.

UGX The ISO 4217 currency code for the Uganda Shilling.

UKR The three-character ISO 3166 country code for UKRAINE.

Ultra vires activities Corporate actions and operations that are not sanctioned by corporate charter, sometimes leading to shareholder lawsuits.

Ultra-short-term bond fund A mutual fund that invests in bonds with very short maturity periods, usually one year or less.

Ultradot Applies to derivative products. Firm proprietary software that stores, and sends baskets of stock through SEAQ to either the NYSE or the curb for program trading.

UM The two-character ISO 3166 country code for UNITED STATES MINOR OUTLYING ISLANDS.

Umbrella personal liability policy A liability insurance policy that provides protection against damages not covered by standard liability policies, such as large jury awards in lawsuits.

Umbrella policy Insurance for exports of an exporter whose issuer handles all administrative requirements.

UMI The three-character ISO 3166 country code for UNITED STATES MINOR OUTLYING ISLANDS.

Unamortized bond discount Par value of a bond less the proceeds received from the sale of the bond, less whatever portion has been amortized.

Unamortized premiums on investments The unexpensed portion of the difference between the price paid for a security and its par value.

Unbiased expectations hypothesis Theory that forward exchange rates are unbiased predictors of future spot rates. See Forward parity.

Unbiased predictor A theory that spot prices at some future date will be equal to today's forward rates.

Unbundling Separation of a multinational firm's transfers of funds into discrete flows for specific purposes. See: Bundling.

Uncentillion A unit of quantity equal to 10306 (1 followed by 306 zeros).

Uncollected funds The amount of bank deposits in the form of checks that have not yet been paid by the banks on which the checks are drawn.

Uncollectible account An account which cannot be collected by a company because the customer is not able to pay or is unwilling to pay.

Unconfirmed Letter of Credit A letter of credit which has not been guaranteed or confirmed by any bank other than the bank that opened it. The advising bank merely informs the beneficiary of the letter of credit terms and conditions.

Uncovered call A short call option position in which the writer does not own shares of underlying stock represented by the option contracts. Uncovered calls are much riskier for the writer than a covered call, where the writer of the uncovered call owns the underlying stock. If the buyer of a call exercises the option to call, the writer would be forced to buy the asset at the current market price. Also called a “naked” asset.

Uncovered call writing A short call option position in which the writer does not own an equivalent position in the underlying security represented by his option contracts.

Uncovered options See: Naked options

Uncovered put A short put option position in which the writer does not have a corresponding short stock position or has not deposited, in a cash account, cash or cash equivalents equal to the exercise value of the put. The writer has pledged to buy the asset at a certain price if the buyer of the option chooses to exercise it. Uncovered put options limit the writer’s risk to the value of the stock (adjusted for premium received.) Also called “naked” puts.

Uncovered Put writing A short put option position in which the writer does not have a corresponding short position in the underlying security or has not deposited, in a cash account.

Undecillion A unit of quantity equal to 10³⁶ (1 followed by 36 zeros).

Under the belt Long position in a stock.

Underbanked When an originating investment banker cannot find enough firms to underwrite a new issue.

Underbooked Describes limited interest by prospective buyers in a new issue of a security during the preoffering registration period.

Undercapitalized A business has insufficient capital to carry out its normal functions.

Underfunded pension plan A pension plan that has a negative surplus (i.e., liabilities exceed assets).

Underinvestment problem The mirror image of the asset substitution problem, in that stockholders refuse to invest in low-risk assets to avoid shifting wealth from themselves to debtholders.

Underlying What supports the security or instrument that parties agree to exchange in a derivative contract.

Underlying asset The security or property or loan agreement that an option gives the option holder the right to buy or to sell.

Underlying debt Municipal bonds issued by government entities but under the control of larger government entities and for which the larger entity shares the credit responsibility.

Underlying futures contract A futures contract that supports an option on that future, which is executed if the option is exercised .

Underlying security For options, the security that is subject to purchase or sold upon exercise of an option contract. For example, IBM stock is the underlying security for IBM options. For Depository receipts, the class, series, and number of the foreign shares represented by the depository receipt.

Undermargined account A margin account that no longer meets minimum maintenance requirements, requiring a margin call on the investor.

Underperform In general, this means to do worse than some particular benchmark. Mutual Fund XYZ is said to underperform the S&P500 if its return falls short of the S&P500 return. However, this language does not take risk into account. That is, one might have a lower return than the benchmark in a particular year because of lower risk exposure. Underperform is also a term used by analysts to describe the prospects of a particular company. Usually, this means that the company will do worse than its industry average. Related: outperform.

Underpricing Issuing securities at less than their market value.

Undertakings for Collective Investments in Transferable Securities (UCITS I) The aim of the original UCITS Directive 85/611/EEC, adopted in 1985, was to allow for open-ended funds investing in transferable securities to be subject to the same regulation in every Member State. Under UCITS I, derivatives could only be used for hedging and efficient portfolio management, that is with the aim of reducing risk or cost, or to replicate a position that could otherwise be achieved through investing in the underlying asset.

Undertakings for Collective Investments in Transferable Securities (UCITS) A European Union initiative where UCITS refers to a set of Directives establishing a harmonized legal framework for the creation, management and marketing of collective investment schemes in the EU (and EEA) Member States. There is a long history which is detailed below.

Undertakings for Collective Investments in Transferable Securities II (UCITS II) In the early 1990s attempts were made to amend the 1985 Directive and more successfully harmonize laws throughout Europe, since several obstacles became apparent in following UCITS I. Individual marketing rules in each Member State created obstacles to crossborder marketing of UCITS. The limited definition of permitted investments for UCITS also weakened the marketing possibilities of a UCITS. Attempts to reform UCITS in the 1990s faltered and it was not until the introduction in 2001 of Directive 2001/108/EC (generally known as the “Product Directive”) and Directive 2001/107/EC (generally known as the “Management Directive”) that substantive change was eventually introduced (the Product and Management Directives are UCITS III).

Undertakings for Collective Investments in Transferable Securities III (UCITS III) A set of Directives adopted in December 2001 which amended UCITS I. UCITS III consists of two directives, a “Product Directive” and a “Management Directive”. 1) Product Directive: Product Directive removes barriers to

the cross border marketing of units of collective investment funds by allowing funds to invest in a wider range of financial instruments including derivatives.

2) Management Directive: Management Directive gives management companies a “European Passport” to operate throughout the EU, which widens the range of activities management companies are allowed to take and also assists the cross-border marketing. The UCITS III revision gave asset managers a broader scope. At the same time, the requirements on investor protection were increased and called for an independent risk management function (to limit/monitor leverage, counterparty risk, concentration limits, etc.). UCITS III expanded the range of available investments to include derivatives for investment purposes, other UCITS and cash. This dramatically increased investor choice, allowing for cash funds, funds of fund, mixed asset funds and absolute return UCITS or UCITS hedge funds. This has allowed a number of hedge fund strategies to be accommodated within the UCITS format such as equity long/short, relative value, etc. Some strategies, however, remain difficult to implement within the UCITS framework because the underlying asset class is not permissible (for example, individual commodities or bank loans) or because of the lack of liquidity (for example, distressed debt).

Undertakings for Collective Investments in Transferable Securities IV (UCITS IV) The proposal of UCITS IV was approved by the European Parliament on January 13, 2009 and also by the Council of European Union, to be implemented in 2011. UCITS IV will bring further uniformity in collective investments throughout European Union. The UCITS IV directive introduced the management company passport and allows a UCITS to be managed by a management company authorised and supervised in a Member State other than its home Member State. UCITS IV has increased the governance (“organisational”) requirements of UCITS Management Companies and funds and has brought these requirements more in line with the Markets in Financial Instruments Directive 2004/39/ED (known as MiFID). UCITS or its management company needs to establish independent compliance and audit functions in addition to the independent risk management which was already required under UCITS III but which has been expanded to formalise the management of a variety of risks.

Undertakings for Collective Investments in Transferable Securities V (UCITS V) The initial draft directive was released in 2012 and UCITS V was adopted by the European Parliament and Council in February 2014. There are three key elements in this proposal: (1) A new depositary regime which includes a clarification of the depositaries duties, responsibilities and liabilities and a set of the rules under which responsibilities, such as sub-custodian roles) can be delegated. (2) Rules governing remuneration of fund managers including bonus caps. (3) A sanctions regime.

Undertakings for Collective Investments in Transferable Securities VI (UCITS VI) The UCITS VI consultation document is in circulation. The EU commission asks respondents whether there is a need to review the list of eligible assets under UCITS. Other topics in the consultation paper include efficient portfolio management, OTC derivatives, liquidity management and money market funds.

Undervalued A stock price perceived to be too low or cheap, as indicated by a particular valuation model. For instance, some might consider a particular company's stock price cheap if the company's price-earnings ratio is much lower than the industry average. To refer to undervaluation or overvaluation implicitly assumes some model of valuation. It is always possible that the security is valued correctly and that model applied is wrong.

Undervalued security A security selling below its market value or liquidation value.

Underweight Usually refers to recommendation that leads an investor to reduce their investment in a particular security or asset class. The reduction is usually with respect to a benchmark. Suppose that U.S. equities compose 40% of the benchmark portfolio. If one thinks the U.S. will underperform, the investor may reduce the exposure to U.S. equity to less than 40%.

Underwithholding When a taxpayer has withheld too little tax from salary and will therefore owe tax when filing a return.

Underwrite To guarantee, as to guarantee the issuer of securities a specified price by entering into a purchase and sale agreement. To bring securities to market.

Underwriter A firm, usually an investment bank, that buys an issue of securities from a company and resells it to investors. In general, a party that guarantees the proceeds to the firm from a security sale, thereby in effect taking ownership of the securities.

Underwriter's discount See: Gross spread

Underwriting Acting as the underwriter in the issue of new securities for a firm.

Underwriting agreement The contract between a corporation issuing new publicly offered securities and the managing underwriter as agent for the underwriting group. Compare to agreement among underwriters.

Underwriting Commission The fee investment bankers charge for underwriting a security issue.

Underwriting fee The portion of the gross underwriting spread that compensates the securities firms that underwrite a public offering for their services.

Underwriting income For an insurance company, the difference between the premiums earned and the costs of settling claims.

Underwriting spread The income that is generated by the underwriting syndicate and the selling group, which is essentially the difference between the amount paid to the issuer of securities in a primary distribution and the public offering price.

Underwriting syndicate A group of investment banks that work together to sell new security offerings to investors. The underwriting syndicate is led by the lead underwriter. See also: Lead underwriter.

Underwritten offering A purchase and sale.

Undigested securities Newly issued securities that are not purchased because of lack of demand during the initial public offering.

Undistributable reserve See Capital reserve.

Undiversifiable risk Related: Systematic risk

Unearned income (revenue) Income received in advance of the time at which it is earned, such as prepaid rent.

Unearned interest Interest that has been received on a loan, but that cannot be treated as a part of earnings yet, because the principal of the loan has not been outstanding long enough.

Unemployment rate The percentage of the people classified as unemployed as compared to the total labor force.

Unencumbered Property that is not subject to any claims by creditors. For example, securities bought with cash instead of on margin and homes with mortgages paid off.

Unequal Voting These provisions limit the voting rights of some shareholders and expand those of others. Under time-phased voting, shareholders who have held the stock for a given period of time are given more votes per share than recent purchases. Another variety is the substantial shareholder provision, which limits the voting power of shareholders who have exceeded a certain threshold of ownership.

Unfavorable Balance of Trade The value of a nation's imports in excess of the value of its exports.

Unfunded debt Debt maturing within one year (short-term debt). See: Funded debt.

Unfunded pension plan Provides for the employer to pay out amounts to retirees or beneficiaries as and when they are needed. There is no money put aside on a regular basis. Instead, it is taken out of current income.

Unified tax credit A federal tax credit that reduces tax liability, dollar for dollar, on lifetime gifts and asset transfers at death.

Uniform Commercial Code (UCC) Collection of laws dealing with commercial business.

Uniform Customs and Practices (Brochure 500) International Chamber of Commerce rules (commonly referred to as UCP 500 or ICC 500), that are used for

Letters of credit. These letters then become legally binding when written into the text of the letter.

Uniform Gifts to Minors Act (UGMA) Legislation that provides a tax-effective manner of transferring property to minors without the complications of trusts or guardianship restrictions.

Uniform practice code Standards of the NASD prescribing procedures for handling over-the-counter securities transactions, such as delivery, settlement date, and ex-dividend date.

Uniform Rules for Collections International Chamber of Commerce rules on the handling of documentary and clean collections.

Uniform securities agent state law examination A test required in some states for registered representatives who are employees of member firms of the NASD or over-the-counter brokers.

Uniform Transfers to Minors Act (UTMA) A law similar to the Uniform Gifts to Minors Act that extends the definition of gifts to include real estate, paintings, royalties, and patents.

Unilateral transfers Items in the current account of the balance of payments of a country's accounting books that correspond to gifts from foreigners or pension payments to foreign residents who once worked in the particular country.

Unincorporated joint venture A joint venture in which the legal means of dividing the project's equity is by shareholdings in a company.

Uninsured motorist insurance Insurance that covers the policyholder and family if they are injured by a hit-and-run or uninsured motorist, assuming the other driver is at fault.

Uninvested Usually refers to cash that could be invested but is being held in reserve.

Unique Diversification Benefit Reduction in the likelihood of financial distress for a conglomerate firm that comes with its diversified investments.

Unique risk Also called unsystematic risk or idiosyncratic risk. Specific company risk that can be eliminated through diversification. See: Diversifiable risk and unsystematic risk.

Unissued stock Shares authorized in a corporation's charter, but not issued.

Unit More than one class of securities traded together (e.g., one common share and three subscription warrants).

Unit benefit formula Method used to determine a participant's benefits in a defined benefit plan. Involves multiplying years of service by the percentage of salary.

Unit investment trust Money invested in a portfolio whose composition is fixed for the life of the fund. Shares in a unit trust are called redeemable trust certificates, and they are sold at a premium to net asset value.

Unit of trading See: Trading unit.

Unit Share Investment Trust (USIT) A unit investment trust comprising one unit of prime and one unit of score.

Unit trust In the United Kingdom and other foreign markets, an open-end mutual fund.

United States Customs Service An agency of the Treasury Department charged with enforcing laws relative to imports.

United States government securities Debt issues of the U.S. government, as distinguished from government-sponsored agency issues.

Universal life A whole life insurance product whose investment component pays a competitive interest rate rather than the below-market crediting rate.

Universe of securities A group of stocks having a common feature, such as similar outstanding market capitalization or same product line.

Unleveraged beta The beta of an unleveraged required return (i.e., no debt) on an investment when the investment is financed entirely by equity.

Unleveraged program The use of borrowed funds to finance less than 50% of a purchase of assets. In a leveraged program borrowed funds are used to finance more than 50%.

Unleveraged required return The required return on an investment when the investment is financed entirely by equity (i.e., no debt).

Unlevered cost of equity The discount rate appropriate for an investment that it is financed with 100% equity.

Unlimited liability Full liability for the debt and other obligations of a legal entity. The general partners of a partnership have unlimited liability.

Unlimited marital deduction An Internal Revenue Service provision that allows an individual to transfer an unlimited amount of assets to a spouse, during life or at death, without incurring federal estate or gift tax.

Unlimited tax bond A municipal bond secured by the pledge to levy taxes until full repayment at an unlimited rate.

Unlisted security A security traded in the over-the-counter market that is not listed on an organized exchange.

Unlisted trading Trading in unlisted securities that occurs on an organized exchange to accommodate members. This practice is not permitted at the NYSE.

Unloading Selling securities or commodities whose prices are dropping to minimize loss.

Unmargined account A cash account held at a brokerage firm.

Unmatched book If the average maturity of a bank's liabilities is shorter than that of its assets, it is said to be running an unmatched book. The term is commonly used with the Euromarket. Also refers to entering into OTC derivatives contracts and not hedging by making trades in the opposite direction to another financial intermediary. In this case, the firm with an unmatched book usually hedges its net market risk with futures and options. Related expressions: Open book and short book.

Unnonagintillion A unit of quantity equal to 10276 (1 followed by 276 zeros).

Unoctogintillion A unit of quantity equal to 10246 (1 followed by 246 zeros).

Unpaid dividend A dividend declared by the directors of a corporation that has not yet been paid.

Unquadragintillion A unit of quantity equal to 10126 (1 followed by 126 zeros).

Unqualified opinion An independent auditor's opinion that a company's financial statements comply with accepted accounting procedures. Antithesis of qualified opinion.

Unquinguagintillion A unit of quantity equal to 10156 (1 followed by 156 zeros).

Unrealized capital gain/loss An increase/decrease in the value of a security that is not "real" because the security has not been sold. Once a security is sold by the portfolio manager, the capital gains/losses are "realized" by the fund, and any payment to the shareholder is taxable during the tax year in which the security is sold.

Unrelated Business Tax Income Income earned by a tax-exempt entity that does not result from tax-exempt activities. The entity may owe taxes on this income.

Unseasoned issue Issue of a security for which there is no existing market. See: Seasoned issue.

Unsecured debt Debt that does not identify specific assets that the debtholder is entitled to in case of default.

Unseptuagintillion A unit of quantity equal to 10²¹⁶ (1 followed by 216 zeros).

Unsexagintillion A unit of quantity equal to 10¹⁸⁶ (1 followed by 186 zeros).

Unsterilized intervention Foreign exchange market intervention in which the monetary authorities have not insulated their domestic money supplies from the foreign exchange transactions.

Unsystematic risk Also called the diversifiable risk or residual risk. The risk that is unique to a company such as a strike, the outcome of unfavorable litigation, or a natural catastrophe that can be eliminated through diversification. Related: Systematic risk.

Untrigintillion A unit of quantity equal to 10⁹⁶ (1 followed by 96 zeros).

Unvigintillion A unit of quantity equal to 10⁶⁶ (1 followed by 66 zeros).

Unwind a trade Reverse a securities transaction through an offsetting transaction in the market.

Up Market indication; willingness to go both ways (buy or sell) at the mentioned volume and market. Print; up on the ticker tape, confirming that the trade has been executed.

Up market The period of time after a market bottom during which a security's price trends upwards.

Up tick Plus tick.

Up volume When a stock closes increases in value on a particular day, the volume in that stock is considered up volume. Related: Down volume.

Upgrading Raising the quality rating of a security because of new optimism about the prospects of a firm due to tangible or intangible factors. This can increase investor confidence and push up the price of the security.

Upset price The minimum price at which a seller of property will accept a bid at an auction.

Upside potential The amount by which analysts or investors expect the price of a security may increase.

Upsize option Upsize option is an option in IPO to increase the size of offering when the demand is high.

Upstairs market A network of trading desks for the major brokerage firms and institutional investors, which communicate with each other by means of electronic display systems and telephones to facilitate block trades and program trades.

Upstairs order Used for listed equity securities. Off-floor order.

Upswing (1) An upward turn in a security's price after a period of flat or falling prices (market bottom). (2) The period during which a security's price trends upwards.

Uptick rule SEC rule that selling short is allowed only on an up tick.

Uptick trade A transaction that takes place at a higher price than the preceding transaction involving the same security. Related: Tick test rules.

Upturn (1) A period of growth or rising economic activity, especially real GDP, but typically employment as well. (2) The transition of an economy from contraction to growth, also known as a trough of economic activity.

URY The three-character ISO 3166 country code for URUGUAY.

US The two-character ISO 3166 country code for UNITED STATES.

US Treasury bill US government debt with a maturity of less than a year.

US Treasury bond US government debt with a maturity of more than 10 years.

US Treasury note US government debt with a maturity of one to 10 years.

USA The three-character ISO 3166 country code for UNITED STATES.

Usance The time allowed for settlement of a draft.

Usance Draft See: Time Draft

Usance Letter of Credit A letter of credit payable at a determined future date after presentation of conforming documents.

USD The ISO 4217 currency code for the USA Dollar.

Useful life The expected period of time during which a depreciating asset will be productive.

Usufruct A temporary legal right to derive profits from property owned by others, given that the property is not damaged. See: Beneficial ownership

Usury This term is generally used to denote an illegal predatory lending practice in which a lender charges an interest rate on a loan that is considered to be excessive or in violation with interest rate limits as established by some state governments. An excessively high interest rate that is overly burdensome for the borrower. A lender may set an interest rate unreasonably high if they believe that the borrower may not be able to repay the loan and interest. Limits on interest rates vary from state to state within the U.S. See: Loan shark, Usury laws

Usury laws Laws limiting the amount of interest that can be charged on loans.

Utility A power company that owns or operates facilities used for the generation, transmission, or distribution of electric energy, which is regulated at state and federal levels.

Utility function A mathematical expression that assigns a value to all possible choices. In portfolio theory, the utility function expresses the preferences of economic entities with respect to perceived risk and expected return.

Utility revenue bond A municipal bond issued to finance the construction of public utility services. These bonds are repaid from the operating revenues the project produces after the utility is finished.

Utility value The welfare a given investor assigns to an investment with a particular expected return and risk.

UUP PowerShares DB US Dollar Index Bullish. This index measures the dollar against a basket of six other currencies: the euro, the Japanese yen, the British pound, the Canadian dollar, the Swedish krona and the Swiss franc. Allows investors to make long bets on the direction of the dollar. See also UDN.

UY The two-character ISO 3166 country code for URUGUAY.

UYU The ISO 4217 currency code for the Uruguay Peso Uruguayo.

UZ The two-character ISO 3166 country code for UZBEKISTAN.

UZB The three-character ISO 3166 country code for UZBEKISTAN.

UZS The ISO 4217 currency code for the Uzbekistan Sum.

V Fifth letter of a Nasdaq stock symbol indicate that it is when-issued or when-distributed.

V formation A technical chart pattern that follows a letter V form, indicating that the security price has bottomed out, and is now in a bullish trend.

VA The two-character ISO 3166 country code for HOLY SEE (VATICAN CITY STATE).

Validated Export License Document issued by the U.S. government (BXA), authorizing the export of specific commodities to a specified foreign country within a specified time period.

Valuation Determination of the value of a company's stock based on earnings and the market value of assets.

Valuation Clause Stipulates a fixed sum for insured property in the event of loss when included in a marine cargo insurance policy.

Valuation Opportunity Cost The potential increase in firm value associated with investments that are foregone due to capital rationing.

Valuation reserve An allowance to provide for changes in the value of a company's assets, such as depreciation.

Value Added Value added is the risk adjusted return generated by an investment strategy: the return of the investment strategy minus the return of the benchmark.

Value Added Tax (VAT) A value added tax (VAT) is a form of consumption tax. As a buyer, it is a tax on the purchase price. As a seller, it is a tax on the “value added” to a product, material or service at his/her stage of its manufacture or distribution. For example, if a television is built by a company in a country that charges VAT, the manufacturer is charged VAT on all of the parts they purchase to produce the television. Once the television is sold, the consumer pays VAT on the entire product. The VAT is ultimately passed on to the end user.

Value additivity principal When the value of a whole group of assets exactly equals the sum of the values of the individual assets that make up the group of assets. Or, the principle that the net present value of a set of independent projects is just the sum of the net present values of the individual projects.

Value broker A discount broker whose rates are a percentage of the dollar value of each transaction.

Value date In the market for Eurodollar deposits and foreign exchange, the delivery date of funds traded. For spot transactions, it is normally on spot transactions two days after a transaction is agreed upon. In the case of a forward foreign exchange trade, it is the future date.

Value dating When value or credit is given for funds transferred between banks.

Value investing In the context of asset management, mutual funds, and hedge funds, the a style of investment that focuses on securities with low price to earnings ratios or low price to book ratios. Some of these securities are deemed cheap and are viewed by manager as having a lot of profit potential.

Value Line investment survey A proprietary service that ranks stocks for timeliness and safety.

Value manager A manager who seeks to buy stocks that are at a discount to their “fair value” and to sell them at or in excess of that value. Often a value stock is one with a low price-to-book value ratio. Opposite of to growth stock.

Value Maximization Increases in owners’ wealth achieved by maximizing of the value of a firm’s common stock.

Value stock fund A mutual fund that emphasizes stocks of companies whose growth opportunities are generally regarded as subpar by the market. A value stock company often pays regular dividend income to shareholders and sells at relatively low prices in relation to its earnings or book value.

Value stocks Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or P/E ratios) in a variety of countries.

Value-at-risk model (VaR) Procedure for estimating the probability of portfolio losses exceeding some specified proportion based on a statistical analysis of historical market price trends, correlations, and volatilities.

VAMI A way of reporting fund performance whereby each reporting period is indexed at 100 or 1000. Hence, for a fund with a total return of 39% over the year, the VAMI indexed at 100 is 139.

Vancouver Stock Exchange (VSE) A securities and options exchange in Vancouver, British Columbia, (Canada), specializing in venture capital companies.

Vanilla issue A security issue that has no unusual features.

Vanilla option An option with standard features like a fixed strike price, expiration date and a single underlying asset. The option is effective at the current date and when exercised, its payoff equals the difference between the value of the underlying asset and the strike price. It is also known whether the option is a call or a put at the time the option is sold. Also see Exotic option.

VaR See: Value-at-risk model

Variable An element in a model. For example, in the model $RS\&Pt+1 = a + b Tbill\ t + et$, where $RS\&Pt+1$ is the return on the S&P in month $t+1$ and $Tbill$ is the Tbill return at month t , both $RS\&P$ and $Tbill$ are “variables” because they change through time; i.e., they are not constant.

Variable annuities Investment contracts whose issuer pays a periodic amount linked to the investment performance of an underlying portfolio.

Variable cost A cost that is directly proportional to the volume of output produced. When production is zero, the variable cost is equal to zero.

Variable interest rate See: Adjustable rate

Variable life insurance policy A whole life insurance policy that provides a death benefit dependent on the insured's portfolio market value at the time of death. Typically the company invests premiums in common stocks, so variable life policies are referred to as equity-linked policies.

Variable Plan A plan in which either the number of shares and/or the price at which they will be issued is not known on the grant date.

Variable rated demand bond (VRDB) Floating-rate bond that periodically can be sold back to the issuer.

Variable Ratio Write An option strategy in which the investor owns 100 shares of the underlying security and writes two call options against it, each option having a different striking price.

Variable-price security A security that sells at a fluctuating market-determined price stocks and bonds are example.

Variable-rate A variable-rate agreement, as distinguished from a fixed-rate agreement, calls for an interest rate that may fluctuate over the life of the loan. The rate is often tied to an index that reflects changes in market rates of interest. A fluctuation in the rate causes changes in either the payments or the length of the loan term. Limits are often placed on the degree to which the interest rate or the payments can vary.

Variable-rate CDs Short-term certificate of deposits that pay interest periodically on roll dates. On each roll date, the coupon on the CD is adjusted to reflect current market rates.

Variable-rate demand note A note that is payable on demand and bears interest tied to a money market rate.

Variable-rate loan Loan made at an interest rate that fluctuates depending on a base interest rate, such as the prime rate or LIBOR.

Variance A measure of dispersion of a set of data points around their mean value. The mathematical expectation of the average squared deviations from the mean. The square root of the variance is the standard deviation.

Variance rule Specifies the permitted minimum or maximum quantity of securities that can be delivered to satisfy a TBA trade. For Ginnie Mae, Fannie Mae, and Freddie Mac pass-through securities, the accepted variance is plus or minus 2.499999 % per million of the par value of the TBA quantity.

Variance-minimization approach to tracking An approach to bond indexing that uses historical data to estimate the variance of the tracking error.

Variation margin An additional required deposit to bring an investor's equity account up to the margin level when the balance falls below the maintenance margin requirement.

VAT (1) See: Value-added tax

VAT (2) The three-character ISO 3166 country code for HOLY SEE (VATICAN CITY STATE).

Vault cash Cash kept on hand in a depository institution's vault to meet day-to-day business needs, such as cashing checks for customers; can be counted as a portion of the institution's required reserves.

VC The two-character ISO 3166 country code for SAINT VINCENT AND THE GRENADINES.

VCT The three-character ISO 3166 country code for SAINT VINCENT AND THE GRENADINES.

VE The two-character ISO 3166 country code for VENEZUELA.

VEB The ISO 4217 currency code for the Venezuelan Bolivar.

Vega A term that describes the sensitivity of the option price to a one-percent change in volatility.

Velda Sue Stands for Venture Enhancement and Loan Development Administration for Smaller Undercapitalized Enterprises. A federal agency that buys and pools small business loans made by banks, and then issues securities that are bought by large institutional investors.

Velocity The number of times a dollar is spent, or turns over, in a specific period of time. Velocity affects the amount of economic activity generated by a given money supply.

VEN The three-character ISO 3166 country code for VENEZUELA.

Vendor Seller or supplier.

Vendor financing The lending of money by a company to its customers so that the customers can in turn purchase products from the company. The company is basically increasing its sales by basically buying its own products.

Venture capital An investment in a start-up business that is perceived to have excellent growth prospects but does not have access to capital markets. Type of financing sought by early-stage companies seeking to grow rapidly.

Venture capital limited partnership A partnership between a startup company and a brokerage firm or entrepreneurial company that provides capital for the new business in return for stock in the company and a share of the profits.

Vertical acquisition Buying or taking over a firm in the same industry in which the acquired firm and the acquiring firm represent different steps in the production process.

Vertical analysis Dividing each expense item in the income statement of a given year by net sales to identify expense items that rise more quickly or more slowly than a change in sales.

Vertical line charting A form of technical charting that shows the high, low, and closing prices of a stock or a market on each day on one vertical line with the closing price indicated by a short horizontal mark.

Vertical merger When one firm acquires another firm that is in the same industry but at another stage in the production cycle. For example, the firm being acquired serves as a supplier to the firm doing the acquiring.

Vertical spread Simultaneous purchase and sale of two options that differ only in their exercise price. See: Horizontal spread.

Vessel A conveyance for the transport of goods by water.

Vest Become applicable or exercisable. A term mainly used on the context of employee stock ownership or option programs. Employees might be given equity in a firm but they must stay with the firm for a number of years before they are entitled to the full equity. This is a vesting provision. It provides incentive for the employee to perform.

Vesting Nonforfeitable ownership (or partial ownership) by an employee of the retirement account balances or benefits contributed on the employees behalf by an employer. The Tax Reform Act of 1986 established minimum vesting rights for employees based on their years of service full vesting in five years or 20% vesting per year starting by the end of the third year.

Vesting Schedule Schedule setting forth when, and to what extent, options become exercisable or restricted stock or stock units are no longer subject to forfeiture (for example, 20% per year over five years).

Veterans Administration (VA) mortgage A home mortgage loan granted by a lending institution to U.S. veterans and guaranteed by the Veterans Administration.

VG The two-character ISO 3166 country code for VIRGIN ISLANDS, BRITISH.

VGB The three-character ISO 3166 country code for VIRGIN ISLANDS, BRITISH.

VI The two-character ISO 3166 country code for VIRGIN ISLANDS, U.S..

Vienna Convention Common name for the United Nations Convention on Contracts for the International Sale of Goods. They are a body of law governing the international sale of goods between parties domiciled in member countries.

Vienna Stock Exchange (VSX) One of the world's oldest exchanges, which accounts for approximately 50% of Austrian stock transactions; the balance are traded OTC.

Vig Slang for interest paid on a loan - usually a loan with higher than market interest rates, a so-called loan shark loan. Vigintillion A unit of quantity equal to 10⁶³ (1 followed by 63 zeros).

Vig Slang for interest paid on a loan - usually a loan with higher than market interest rates, a so-called loan shark loan. Vigintillion A unit of quantity equal to 10⁶³ (1 followed by 63 zeros).

Vignette A symbol or pictorial representation of the corporation on a stock certificate. Usually a complicated and artistic design, it is meant to make the counterfeiting of stock certificates as difficult as possible.

VIR The three-character ISO 3166 country code for VIRGIN ISLANDS, U.S..

Virtual currency option A new option contract introduced by the PHLX in 1994 that is settled in US dollars rather than in the underlying currency. These options are also called 3-Ds (dollar-denominated delivery).

Visible supply New muni bond issues scheduled to come to market within the next 30 days.

VIX The implied volatility on the S&P 100 (OEX) option. This volatility is meant to be a forward looking volatility. It is calculated from both calls and puts that are near the money. The VIX is a popular measure of market risk.

VN The two-character ISO 3166 country code for VIETNAM.

VND The ISO 4217 currency code for the Vietnamese Dong.

VNM The three-character ISO 3166 country code for VIETNAM.

Volatility A measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk.

Volatility risk The risk in the value of options portfolios due to the unpredictable changes in the volatility of the underlying asset.

Volcker Plan See: Volcker Rule

Volcker Rule A proposal to restrict banks from making speculative proprietary investments and/or trading. Proposed by economist and former US Federal Reserve Chairman Paul Volcker. Volcker was appointed by President Obama as the chair of the President's Economic Recovery Advisory Board on February 6, 2009 and the Volcker Rule was publicly endorsed by President Obama on January 21, 2010 and was partially implemented in the Dodd-Frank Act.

Volume This is the daily number of shares of a security that change hands between a buyer and a seller. Also known as volume traded. Also see Up volume and Down volume.

Volume counting The SEC dictates how volume is counted. Thus, volume is counted in the same manner on all markets based on the above reporting structure. Any time money changes hands (or any time capital is risked), it must be counted as a trade. Examples: 1) One registered market participant on Nasdaq buys 100 shares into inventory from another registered market participant or from one of its clients. In either case, it is counted as 100 shares. 2) One member firm on the NYSE or Amex buys 100 shares from another member firm. The Specialist matches the order between the two firms and it is counted as 100 shares. 3) The Specialist sells 100 shares from his inventory to a member firm on the NYSE. It is counted as 100 shares. 4) A Market Maker receives an order to buy 100 shares from its client. It does not have 100 shares in its inventory. It must go buy 100 shares from someone else. It then sells these 100 shares to the client. Thus, there are two trades in this example for a total of 200 shares.

Volume deleted A note appearing on the consolidated tape when the tape is running behind under heavy trading, meaning that only the stock symbol and price will be shown for trades under 5000 shares.

Volume discount A reduction in price based on the purchase of a large quantity.

Voluntary accumulation plan Arrangement allowing shareholders of a mutual fund to purchase shares over a period of time on a regular basis, and in so doing take advantage of dollar cost averaging.

Voluntary bankruptcy The process where the debtor petitions the court for bankruptcy protection. Also see Involuntary bankruptcy.

Voluntary liquidation Liquidation proceedings that are supported by a company's shareholders.

Voluntary plan A pension plan supported partially by the employee by pension contributions deducted from each paycheck.

Voting certificate Certificates issued by a voting trust to stockholders in exchange for their common stock, which represent all the rights of common stock except voting rights.

Voting Instruction Card The voting card sent to participants in an employee plan giving the trustee of the plan the authority to vote the shares as indicated on a proxy card.

Voting rights The right to vote on matters that are put to a vote of security holders. For example the right to vote for directors.

Voting stock The shares in a corporation that entitle the shareholder to vote.

Voting trust certificate A trust in which control of a corporation is given to a few individuals, usually to support reorganization of a corporation without interference.

VRDB See: Variable-rated demand bond

VU The two-character ISO 3166 country code for VANUATU.

Vulture fund A fund that buys distressed debt of commercial companies or sovereign nations at a cheap price and then often sues them for the entire value of the debt. The resemblance to vultures is because these funds profit from the debt of failing companies or poor nations.

VUT The three-character ISO 3166 country code for VANUATU.

VUV The ISO 4217 currency code for the Vanuatu Vatu.

VWAP The volume-weighted average price.

VXN The implied volatility on the Nasdaq 100 (NPX) option. This volatility is meant to be a forward looking volatility. It is calculated from both calls and puts that are near the money.

W Fifth letter of a Nasdaq stock symbol indicating that this particular stock is a warrant.

W-8 Certificate of Foreign Status form required by the IRS to tell the payer, transfer agent, broker or other middleman that an employee is a nonresident alien or foreign entity that is not subject to U.S. tax reporting or backup withholding rules.

W-9 A form used to certify a shareholder's social security or tax identification number as true and correct, in order to avoid federal tax withholding.

W-type bottom A double bottom pattern in a price history that looks like the letter W. See: Technical analysis.

WACC See: Weighted average cost of capital

Wage assignment A loan agreement provision allowing the lender to deduct payments from an employee's wages in case of default.

Wage-push inflation Inflation caused by skyrocketing wages.

Waiting period Time during which the Securities and Exchange Commission (SEC) studies a firm's registration statement. During this time the firm may distribute a preliminary prospectus.

Waiver of premium A provision in an insurance policy that allows payment of insurance premiums to be permanently or temporarily stopped in the event the policyholder becomes incapacitated.

Walk away To take and maintain a position in a stock after going to the floor to consummate a trade. Antithesis of trade me out, buy them back.

Wall Street Generic term for the securities industry firms that buy, sell, and underwrite securities.

Wall Street analyst Related: Sell-side analyst

Wallflower Stock that has fallen out of favor with investors; stock that tends to have a low P/E (price-to-earnings ratio).

Wallpaper A security with no monetary value.

Wanted for cash A statement displayed on market tickers indicating that a bidder will pay cash for same-day settlement of a block of a specified security.

War babies Slang term for the stocks and bonds of corporations in the defense industry.

War chest Cash kept aside for a takeover or for defense against a takeover bid.

War Risk Insurance Separate insurance coverage against loss or damage due to acts of war (including objects left over from previous wars).

War room See Data room.

Warehouse receipt Evidence that a firm owns goods stored in a warehouse.

Warehousing The interim holding period from the time of the closing of a loan to its subsequent marketing to capital market investors.

Warrant A security entitling the holder to buy a proportionate amount of stock at some specified future date at a specified price, usually one higher than current market price. Warrants are traded as securities whose price reflects the value of the underlying stock. Corporations often bundle warrants with another class of security to enhance the marketability of the other class. Warrants are like call options, but with much longer time spans-sometimes years. And, warrants are offered by corporations, while exchange-traded call options are not issued by firms.

Warranty A guarantee by a seller to a buyer that if a product requires repair or remedy of a problem within a certain period after its purchase, the seller will repair the problem at no cost to the buyer.

Warsaw Stock Exchange The major securities market of Poland.

Wash Gains equal losses.

Wash sale Purchase and sale of a security either simultaneously or within a short period of time, often in order to recognize a tax loss without altering one's position. See: Tax selling.

Wasting asset An asset that has a limited life and thus decreases in value (depreciates) over time. Also applies to consumed assets, such as oil or gas, and termed "depletion."

Watch list A list of securities selected for special surveillance by a brokerage, exchange, or regulatory organization; firms on the list are often takeover targets, companies planning to issue new securities, or stocks showing unusual activity.

Watered stock A stock representing ownership in a corporation that is worth less than the actual invested capital, resulting in problems of low liquidity, inadequate return on investment, and low market value.

Waybill A document (that looks like a bill of lading) issued by a carrier that describes the goods to be transported and that details the shipping particulars. Waybills are issued by both air carriers (air waybills) and ship lines (sea waybills). They merely indicate that the stated goods were received by the carrier for transport, they do not convey title.

Weak dollar A depreciated dollar with respect to other currencies, meaning that more dollars are needed to buy a unit of foreign currency. Antithesis of strong dollar.

Weak market A market with few buyers and many sellers and a declining trend in prices.

Weak-form efficiency A pricing theory that the price of a security reflects the past price and trading history of the security. Theory implies that security

prices follow a random walk. Related: Semistrong-form efficiency, strong-form efficiency.

Wealth effect The impact of changes in actual or perceived value of assets on consumption decisions. Changes in wealth that are perceived to be temporary will have a smaller effect on consumption expenditures than changes in wealth that are deemed permanent.

WEBS See: World Equity Benchmark Series

Wedge A chart pattern composed of two converging lines connecting peaks and troughs. In the case of falling wedges, the pattern indicates temporary interruptions of upward price rallies. In the case of rising wedges, indicates interruptions of a falling price trend.

Weekend effect The common recurrent low or negative average return from Friday to Monday in the stock market.

Weight Either Gross Weight, Net Weight, or Tare Weight.

Weighted average cost of capital (WACC) Expected return on a portfolio of all a firm's securities. Used as a hurdle rate for capital investment. Often the weighted average of the cost of equity and the cost of debt. The weights are determined by the relative proportions of equity and debt in a firm's capital structure.

Weighted average Coupon The weighted average of the gross interest rates of mortgages underlying a pool as of the pool issue date; the balance of each mortgage is used as the weighting factor.

Weighted average life See: Average life

Weighted average maturity The weighted average maturity of an MBS is the weighted average of the remaining terms to maturity of the mortgages underlying the collateral pool at the date issue, using as the weighting factor the balance of each of the mortgages as of the issue date.

Weighted average portfolio yield The weighted average of the yield of all the bonds in a portfolio.

Weighted average remaining maturity The average remaining term of the mortgages underlying a MBS.

Well-diversified portfolio A portfolio that includes a variety of securities so that the weight of any security is small. The risk of a well-diversified portfolio closely approximates the systematic risk of the overall market, and the unsystematic risk of each security has been diversified out of the portfolio.

West Texas Intermediate A popular benchmark oil price. WTI is the underlying asset in the New York Mercantile Exchange's oil futures contract. This type of oil has a low sulphur content (sweet). The U.S. Department of Energy maintains historical data for this oil price. It is sometimes known as WTI - Cushing or WTI, Cushing, Oklahoma.

WF The two-character ISO 3166 country code for WALLIS AND FUTUNA.

When distributed When issued.

When issued (W.I.) Refers to a transaction made conditionally, because a security, although authorized, has not yet been issued. Treasury securities, new issues of stocks and bonds, stocks that have split, and in-merger situations after the time the proxy has become effective but before completion are all traded on a when-issued basis. With ice.

Whipsawed Buying stocks just before prices fall and selling stocks just before prices rise in a volatile market, often as the result of misleading signals.

Whisper number or forecast An unofficial earnings estimate of a company given to clients by a security analyst if there is more optimism or pessimism about earnings than shown in the published number. These are often found on the Internet.

Whisper stock A stock rumored to be the target of a takeover bid, drawing speculators who hope to make a profit after the takeover is completed.

Whistle blower A person who has knowledge of fraudulent activities inside a firm or government agency, who is protected from the employer's retribution by federal law.

White knight A friendly potential acquirer sought out by a target firm that is threatened by a less welcome suitor.

White Noise The audio equivalent of Brownian motion. Sounds that are unrelated and sound like a hiss. The video equivalent of white noise is "snow" in television reception.

White sheets Lists of prices published by the National Quotation Bureau for Market Makers.

White squire White knight who buys less than a majority interest.

White's rating A rating of municipal securities, that uses market factors rather than credit considerations to find appropriate yields.

White-shoe firm Broker-dealer firms that disdain practices such as hostile takeovers.

Whitemail Sale of a large amount of stock by a company that is the target of a takeover bid to a friendly party at below-market prices, so that the raider is forced to buy more of highly priced shares to accomplish the takeover.

Whole life insurance A contract with both insurance and investment components: (1) It pays off a stated amount upon the death of the insured, and (2) it accumulates a cash value that the policyholder can redeem or borrow against.

Whole loan A term that distinguishes an investment representing an original mortgage loan from a loan representing a participation with one or more lenders.

Wholesale mortgage banking The purchasing of loans originated by others, for the acquisition of the servicing rights.

Wholesaler An underwriter or a broker-dealer who trades with other broker-dealers, rather than with the retail investor.

Wholly owned subsidiary A subsidiary whose parent company owns virtually 100% of its common stock.

Whoops A nickname for the Washington Public Power Supply System, which in the 1970s raised billions of dollars through municipal bond offerings, the projects that never materialized. WPPSS defaulted on the payments to bondholders.

WI See: When issued

WI WI Come from when issued. Treasury bills trade on a WI basis between the day they are auctioned and the day settlement is made. Bills traded before they are auctioned are said to be traded WI WI

Wide opening Abnormally wide spread between the bid and asked prices of a security at the opening of a trading session.

Widow-and-orphan stock A stock paying high dividends with a low beta and noncyclical business, that is an extremely safe investment.

Wiener Bouml;rse (Austrian Stock Exchange) Established in 1771, the major securities market of Austria.

Wild card option The right of the seller of a Treasury bond futures contract to give notice of intent to deliver at or before 8:00 p.m. Chicago time after the closing of the exchange (3:15 p.m. Chicago time) when the futures settlement price has been fixed. Related: Timing option.

Williams Act Federal legislation enacted in 1968 (and now constituting Rules 13d and 14d of the Security Exchange Act of 1934) that imposes requirements with respect to public tender offers.

Wilshire indexes Widely followed performance measurement indexes measuring performance of all U.S.-headquartered equity securities with readily available price data, created by Wilshire Associates, Inc.

Wind bond Wind bond is a type of Catastrophic Bond. The bond's payout is linked to the losses incurred from natural wind-related catastrophes such as hurricane, typhoon, or monsoon.

Windfall profit A sudden unexpected profit uncontrolled by the profiting party.

Window A brokerage firm's cashier department, where delivery of securities and settlement of transactions take place.

Window contract A guaranteed investment contract purchased with deposits over some future designated time period (the "window"), usually between 3 and 12 months. All deposits made are guaranteed the same credit rating. Related: Bullet contract.

Window dressing Trading activity near the end of a quarter or fiscal year that is designed to improve the appearance of a portfolio to be presented to clients or shareholders. For example, a portfolio manager may sell losing positions so as to display only positions that have gained in value. Financial institutions have also been criticized for a different type of window dressing as many moved debt off the balance sheet near the end of the quarter in a temporary manner. This made the bank appear to have less leverage than it actually did.

Window period The allotted time for parties to release themselves from any obligations to a contract without penalty; the period between the filing of a registration statement of a new security with the SEC and the date that security can be issued; the period in which company employees, executives, and other insiders are allowed to trade the company's stock. See Effective date

Winner's curse Problem faced by uninformed bidders. For example, in an initial public offering uninformed participants are likely to receive larger allotments of issues that informed participants know are overpriced.

Winnipeg Commodity Exchange Canada's only agricultural futures and options exchange, located in Manitoba.

Wire house A firm operating a private wire to its own branch offices or to other firms, commission houses, or brokerage houses.

Wire room A department within a brokerage firm that receives customers' orders and transmits the orders to the exchange floor or the firm's trading department.

Wire stripping An illegal practice of removing information from wire transfer messages so that the identity of potentially sanctioned countries, entities or individuals is hidden. Stripping could involve: a) a financial institution deleting information from the wire transfer message; b) inserting false information in the wire transfer message; or c) requesting that the transferring institution delete or falsify an incoming transfer message.

Wire transfer Electronic transfer of funds; usually involves larger currency payments.

With Average (W.A.) Marine cargo insurance coverage providing for partial loss or damage to goods, either with or without a deductible. Also called With particular average.

With dividend Purchase of shares that entitle the buyer to the forthcoming dividend. Related: Ex-dividend.

With ice When issued.

With Particular Average (WPA) See: With Average

With rights Shares sold accompanied by entitlement the buyer to buy additional shares in the company's rights issue.

Withdrawal plan Agreement that a mutual fund will disburse automatic periodic redemptions to the investor.

Withholding Used in the context of securities, the illegal practice of a public offering participant keeping some shares in a private account or with a family member, employee, or dealer to profit from the higher market price of a hot issue. Used in the context of taxes, the withholding by an employer of a certain amount of an employee's income in order to cover the employee's tax liability. Also used to refer to the withholding by corporations and financial institutions of a flat 10% of interest and dividend payments due to security holders.

Withholding tax A tax levied by a country of source on income paid, usually on dividends remitted to the home country of the firm operating in a foreign country.

Without Indicates a one-way market if 70 were bid in the market and there was no offer, the quote would be "70 bid without."

Without recourse Giving the lender no right to seek payment or seize assets in the event of nonpayment from anyone other than the party specified in the debt contract (such as a special-purpose entity).

Without Recourse Financing Financing in which the right of recourse to the party receiving funds is forfeited to the party advancing funds. This may be evidenced by conditions added to the endorsement of a draft being sold by an exporter in order to protect the exporter, if the instrument is not paid at maturity by the original obligor.

WLF The three-character ISO 3166 country code for WALLIS AND FUTUNA.

Woody Slang to describe a market moving strongly upward, as in, "This market has a woody."

Working Attempting to complete the remaining part of a trade, by finding either buyers or sellers for the rest.

Working away Transacting with another broker/dealer.

Working capital Defined as the difference between current assets and current liabilities. There are some variations in how working capital is calculated. Variations include the treatment of short-term debt. In addition, current assets may or may not include cash and cash equivalents, depending on the company.

Working capital management The deployment of current assets and current liabilities so as to maximize short-term liquidity.

Working capital ratio Working capital expressed as a percentage of sales.

Working control Control of a corporation by a shareholder or shareholders having less than 51% voting interest because of the wide dispersion of share ownership.

Working order Standing order in the marketplace, through which a broker bids or offers to fill the order in a series of lots at opportune times in hopes of obtaining the best price.

Workout Informal repayment or loan forgiveness arrangement between a borrower and creditors.

Workout market Market indicating prices at which it is believed a security can be bought or sold within a reasonable length of time.

Workout period Realignment of a temporarily misaligned yield relationship that sometimes occurs in fixed income markets.

World Bank A multilateral development finance agency created by the 1944 Bretton Woods, (New Hampshire) negotiations. It makes loans to developing countries for social overhead capital projects that are guaranteed by the recipient country. See: International Bank for Reconstruction and Development.

World Equity Benchmark Series (WEBS) The World Equity Benchmark Series are similar to SPDRs. WEBS trade on the AMEX, and track the Morgan Stanley Capital International (MSCI) country indexes. WEBS are available for: Australia, Austria, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Malaysia Free, Mexico, the Netherlands, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

World investible wealth The part of world wealth that is traded and is therefore accessible to investors.

World Trade Organization (WTO) A multilateral agency that administers world trade agreements, fosters trade relations among nations, and solves trade disputes among member countries.

Wrap account An investment consulting relationship for management of a client's funds by one or more money managers, that bills all fees and commissions in one comprehensive fee charged quarterly.

Wraparound A financing device that permits an existing loan to be refinanced and new money to be advanced at an interest rate between the rate charged on the old loan and the current market interest rate. The creditor combines or "wraps" the remainder of the old loan with the new loan at the intermediate rate.

Wraparound annuity An investment that allows the annuitant the choice of underlying investments tax-deferred.

Wraparound mortgage A second mortgage that leaves the original mortgage in force. The wraparound mortgage is held by the lending institution as security for the total mortgage debt. The borrower makes payments on both loans to the wraparound lender, which in turn makes payments on the original senior mortgage.

Wrinkle A feature of a new product or security intended to entice a buyer.

Write Sell an option. Applies to derivative products.

Write out The procedure used when a specialist makes a trade involving his own inventory, on one hand, and a floor broker's order, on the other. The broker must first complete the trade with the specialist, who then transacts a separate trade with the customer.

Write-down Reducing the book value of an asset if its is overstated compared to current market values.

Write-off Charging an asset amount to expense or loss, such as through the use of depreciation and amortization of assets.

Writer The seller of an option, usually an individual, bank, or company that issues the option and consequently has the obligation to sell the asset (if a call) or to buy the asset (if a put) on which the option is written if the option buyer exercises the option.

Writing cash-secured puts An option strategy to avoid using a margin account. Instead of depositing margin with a broker, a put writer can deposit a cash balance equal to the option exercise price, and can avoid additional margin calls.

Writing naked See: Naked option

Writing puts to acquire stock Selling a put option at an exercise price that would represent a good investment by an option writer who believes a stock's value will fall, so that the writer cannot lose. If the stock price unexpectedly goes up, the option will not be exercised and the writer is at least ahead the amount of the premium received. If the stock loses value, as expected, the option will be exercised, and the writer has the stock at what he had earlier decided was originally a good buy, and he has the premium income in addition.

Written-down value The book value of an asset after allowing for depreciation and amortization.

Wrong-way risk This type of risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk. Specific wrong way risk arises through poorly structured transactions, for example, those collateralized by own or related party

shares. General or conjectural wrong way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivatives transactions. An example of conjectural wrong way risk is that fluctuations in the interest rate causes changes in the value of the derivative transactions but could also impact the credit worthiness of the counterparty. Another example might occur with an emerging-market counterparty, where there is country and possibly currency risk associated with the counterparty (however creditworthy it might otherwise be).

WS The two-character ISO 3166 country code for SAMOA.

WSM The three-character ISO 3166 country code for SAMOA.

WST Western Samoa Tala currency

WTI See: West Texas Intermediate

X Fifth letter of a Nasdaq stock symbol indicating that listing is a mutual fund.
X or XD Symbol that indicating that stock is trading ex-dividend, with no dividend.

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XAF The ISO 4217 currency code for the CFA Franc.

XBA The ISO 4217 currency code for the European Composite Unit (EURCO).

XBB The ISO 4217 currency code for the European Monetary Unit (EMU).

XCD The ISO 4217 currency code for the East Caribbean Dollar.

XDR The ISO 4217 currency code for the Special Drawing Rights (SDR).

XEU The ISO 4217 currency code for the European currency Unit (ECU).

XMI Applies to derivative products. Quotron symbol for the Major Market Index (MMI).

XOF The ISO 4217 currency code for the CFA Franc.

XPF The ISO 4217 currency code for the CFP Franc.

XR Symbol indicating that a stock is trading ex-rights, with no rights attached.
XRP Refers to the cryptocurrency issued by Ripple on its blockchain. The currency is not collateralized and Ripple focuses on global payments.

XW Symbol indicating that a stock is trading ex-warrants, with no warrants attached.

XR Symbol indicating that a stock is trading ex-rights, with no rights attached.
XRP Refers to the cryptocurrency issued by Ripple on its blockchain. The currency is not collateralized and Ripple focuses on global payments.

Y Fifth letter of a Nasdaq stock symbol specifying that it is an ADR

Yankee bonds Foreign bonds denominated in U.S. dollars and issued in the United States by foreign banks and corporations. These bonds are usually registered with the SEC. Such as, bonds issued by originators with roots in Japan are called Samurai bonds.

Yankee CD A CD issued in the domestic market, typically New York, by a branch of a foreign bank.

Yankee market The foreign market in the United States.

Yard Slang for one billion currency units. Used particularly in currency trading, e.g., for Japanese yen since one billion yen equals approximately US\$10 million. It is clearer to say, “I’m a buyer of a yard of yen,” than to say, “I’m a buyer of a billion yen,” which could be misheard as “I’m a buyer of a million yen.”

YE The two-character ISO 3166 country code for YEMEN.

Year-end dividend A special dividend declared at the end of a fiscal year that usually represents distribution of higher-than-expected company profits.

Year-to-date (YTD) The period beginning at the start of the calendar year up to the current date.

Yellow sheets Sheets published by the National Quotation Bureau that detail bid and ask prices, plus those firms that are making a market in over-the-counter corporate bonds.

YEM The three-character ISO 3166 country code for YEMEN.

Yen bond Any bond denominated in Japanese yen currency.

YER The ISO 4217 currency code for the Yemen Rial.

Yield The percentage return paid on a stock in the form of dividends, or the effective rate of interest paid on a bond or note.

Yield advantage The advantage gained by purchasing convertible securities instead of common stock, which equals the difference between the rates of return of the convertible security and the common shares.

Yield burning A municipal bond financing method. Underwriters in advance refundings add large markups on US Treasury bonds bought and held in escrow to compensate investors while waiting for repayment of old bonds after issuance of the new bonds. Since bond prices and yields move in opposite directions, when the bonds are marked up, they “burn down” the yield, which may violate federal tax rules and diminishes tax revenues.

Yield curb Applies mainly to convertible securities. Difference in current yield between the convertible and the underlying common.

Yield curve The graphic depiction of the relationship between the yield on bonds of the same credit quality (y-axis) but different maturities (x-axis). Related: Term structure of interest rates. Harvey (1991) finds that the inversions of the yield curve (short-term rates greater than long term rates) have preceded the last five US recessions. The yield curve can accurately forecast the turning points of the business cycle. Yield curves can be upward sloping (sometimes called normal) where long-term rates are higher than short-term rates, flat (rates of different maturities are the same), downward sloping (inverted), or humped. Also see Forward Yield Curve.

Yield curve option-pricing models Models that can incorporate different volatility assumptions along the yield curve, such as the Black-Derman-Toy model. Also called arbitrage-free option-pricing models.

Yield curve strategies Investments that position a portfolio to capitalize on expected changes in the shape of the Treasury yield curve.

Yield differential/pickup Mainly applies to convertible securities. Graph showing the term structure of interest rates by plotting the yield of all bonds of the same quality with maturities ranging from the shortest to the longest available.

Yield equivalence The interest rate at which a tax-exempt bond and a taxable security of similar quality give the investor the same rate of return.

Yield ratio The quotient of two bond yields.

Yield spread The difference in yield between different security issues usually securities of different credit quality.

Yield spread strategies Investments that position a portfolio to capitalize on expected changes in yield spreads between sectors of the bond market.

Yield to average life A yield calculation in which bonds are retired routinely during the life of the issue. Since the issuer buys its own bonds on the open market because of sinking fund requirements, if the bonds are trading below par, this action provides automatic price support for these bonds and they will usually trade on a yield to average life basis.

Yield to call The percentage rate of a bond or note if the investor buys and holds the security until the call date. This yield is valid only if the security is called prior to maturity. Generally bonds are callable over several years and normally are called at a slight premium. The calculation of yield to call is based on coupon rate, length of time to call, and market price.

Yield to maturity The percentage rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the bond will be reinvested at the same rate.

Yield to warrant call Applies mainly to convertible securities. Effective yield of usable or synthetic convertible bonds determined against the first date at which the warrants can be called.

Yield to warrant expiration Applies mainly to convertible securities. Effective yield of usable convertible bonds determined by the expiration date of the applicable warrants.

Yield to worst The bond yield computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

Yo-yo stock A highly volatile stock that moves up and down like a yo-yo.

YT The two-character ISO 3166 country code for MAYOTTE.

YU The two-character ISO 3166 country code for YUGOSLAVIA.

YUM The ISO 4217 currency code for the Yugoslavia New Dinar.

Z Fifth letter of a Nasdaq stock symbol indicating that listing is a fifth class of preferred stock, a stub, a certificate representing a limited partnership interest, foreign preferred when issued, or a second class of warrants.

Z bond A bond on which interest accrues but is not currently paid to the investor but rather is added to the principal balance of the Z bond and becoming payable upon satisfaction of all prior bond classes.

Z score Statistical measure that quantifies the distance (measured in standard deviations) a data point is from the mean of a data set. Separately, Z score is the output from a credit-strength test that gauges the likelihood of bankruptcy.

ZA The two-character ISO 3166 country code for SOUTH AFRICA.

Zabara Applies mainly to international equities. Japanese securities transactions conducted on the principal of auction, i.e., (1) price priority in which the selling (buying) order with the lowest (highest) price takes precedence over other orders, and (2) time priority in that an earlier order takes precedence over other orders at the same price.

ZAF The three-character ISO 3166 country code for SOUTH AFRICA.

Zaibatsu Large family-owned conglomerates that controlled much of the economy of Japan prior to World War II.

ZAR The ISO 4217 currency code for the South Africa Rand.

ZBA See: Zero balance account

Zero prepayment assumption The assumption of payment of scheduled principal and interest with no payments.

Zero uptick Related: Tick-test rules

Zero-balance account (ZBA) A checking account in which zero balance is maintained by transfers of funds from a master account in an amount only large enough to cover checks presented.

Zero-base budgeting (ZBB) Budgeting method that disregards the previous year's budget in setting a new budget, since circumstances may have changed. Each and every expense must be justified in this system.

Zero-beta portfolio A portfolio constructed to have zero systematic risk, that is, having a beta of zero.

Zero-bracket amount The standard deduction portion of income which is not taxed for taxpayers choosing not to itemize deductions.

Zero-coupon bond A bond in which no periodic coupon is paid over the life of the contract. Instead, both the principal and the interest are paid at the maturity date.

Zero-coupon convertible security A zero-coupon bond convertible into the common stock of the issuing company after the stock reaches a certain price, using a put option inherent in the security. Also refers to zero-coupon bonds, which are convertible into an interest bearing bond at a certain time before maturity.

Zero-investment portfolio A portfolio of zero net value established by buying and shorting component securities, usually in the context of an arbitrage strategy.

Zero-minus tick Sale that takes place at the same price as the previous sale, but at a lower price than the last different price. Antithesis of zero-plus tick.

Zero-one integer programming An analytical method that can be used to determine the solution to a capital rationing problem.

Zero-Percent Certificate of Indebtedness or Zero-Percent C of I A Treasury security that does not earn any interest. It is intended to be used as a source of funds for traditional Treasury security purchases.

Zero-plus tick Used for listed equity securities. Transaction at the same price as the preceding trade, but higher than the preceding trade at a different price. Antithesis of zero-minus tick. See: Short sale.

Zero-sum game A type of game wherein one player can gain only at the expense of another player.

ZM The two-character ISO 3166 country code for ZAMBIA.

ZMB The three-character ISO 3166 country code for ZAMBIA.

ZMK The ISO 4217 currency code for Zambian Kwacha .

Zombies Companies that continue operation while they await merger or closure, even though they are insolvent and bankrupt.

ZRN The ISO 4217 currency code for the Zaire New Zaire.

ZW The two-character ISO 3166 country code for ZIMBABWE.

ZWD The ISO 4217 currency code for the Zimbabwe Dollar.

ZWE The three-character ISO 3166 country code for ZIMBABWE.
