

## **GLOSSARY OF BANKING TERMS GENERALLY USED IN CDR**

<b>Accrued Interest</b>	Interest earned but not yet received.
<b>Acquisition</b>	Purchase of controlling interest in a firm, generally through tender offer for the target shares.
<b>Actuary</b>	Insurance company official, responsible for estimating future claims and disbursement and for calculating necessary fund and premium levels.
<b>ADS</b>	Authorized Dealers
<b>Advising Bank</b>	A Bank usually located in the country of residence of an Exporter, used by an Importer's bank to authenticate a Letter of Credit before it is passed on to the Exporter.
<b>AEZs</b>	Agricultural Export Zones
<b>Affidavit</b>	A written statement, sworn to be true by the person signing it, before someone authorized by court of law.
<b>Agent Bank</b>	A participating bank in a syndicated loan that handles all the operations and deals with the borrower on behalf of the members of the syndicate.
<b>AIDB</b>	All India Development Bank
<b>AIFI</b>	All India Financial Institution
<b>ALCO</b>	Asset-Liability Management Committee
<b>ALM</b>	Asset/ liability management involves a set of techniques to create value and manage risks in a bank.
<b>AMC</b>	Asset Management Committee
<b>American Depository Receipt (ADR)</b>	A certificate registered in the holder's name or as a bearer security giving title to a specified number of shares in a non-US-based company deposited in a bank outside the USA. These certificates are traded on US stock exchanges.
<b>American option</b>	An option that can be exercised on or any time before the date of expiry.
<b>Amortization</b>	Process of full payment of debt in installments of principal and earned interest over a definite time.
<b>Amount at risk</b>	Balance of the sum payable not covered by reserves, potentially falling on the net worth (net assets) of the company.

<b>Annuity</b>	Fixed amount of cash to be received every year for a specified period of time.
<b>APEDA</b>	Agricultural and Processed Food Products Exports Development Authority.
<b>Arbitrage</b>	Simultaneous purchase and sale of identical or equivalent financial instruments or commodity futures so as to benefit from difference in their price relationship.
<b>ARF</b>	Automatic Refinance Facility
<b>ASB</b>	Accounting Standards Board
<b>Asset/Liability Risk:</b>	A risk that current obligations/ liabilities cannot be met with current assets. A fundamental risk in all organizations, which should manage the risk and maintain liquidity or become insolvent.
<b>Assets</b>	Things that one owns which have value in financial terms.
<b>Assignment</b>	Receipt of an exercise notice by an option writer (seller) that obligates him to sell (in the case of a call) or purchase (in the case of a put) the underlying security at the specified strike price.
<b>Audit Risk</b>	The risk of giving an incorrect audit opinion.
<b>Automated Banking Machines (ABMs)</b>	Terminals that allow bank customers to perform many everyday banking tasks, e.g., deposits, withdrawals, bill payments and transfers between accounts.
<b>Automated Teller Machines (ATMs)</b>	A computerized machine used for banking transactions, e.g. depositing or withdrawing money, making balance/ transaction inquiries and transfers; operated through magnetic plastic cards with the held of personal identification numbers (PINs).
<b>Available Balance</b>	The portion of a customer's account balance having no restrictions from the bank and available for immediate withdrawals.
<b>Average life</b>	Weighted average of the maturities of various loans or bonds after taking into account agreed amortization's.
<b>Back-end value</b>	Amount paid to the remaining shareholders in the second stage of a two-tier or partial tender offer.

<b>Balance of Payment</b>	Statement showing the country's trade and financial transactions (all economic transactions), in terms of net outstanding receivable or payable from other countries, with the rest of the world for a period of time.
<b>Balance Sheet</b>	Statement of assets and liabilities of a company at any particular time. The assets on a balance sheet will always equal the liabilities plus the owner's equity.
<b>Balloon Payment</b>	A large payment that may be charged at the end of a loan or lease.
<b>Bank Credit</b>	Includes Term Loans, Cash Credit, Overdrafts, Bills purchased & discounted, Bank Guarantees, Letters of Guarantee, Letters of credit.
<b>Bank Debits</b>	The sum of the value of all cheques and other instruments charged against the deposited funds of a bank's customer.
<b>Bank Rate</b>	Interest rate paid by major banks if they borrow from RBI, the Central Bank of the country. The Bank Rate influences the rates of interest major banks/ financial institutions charge and pay their customers.
<b>Bank Statement</b>	A periodic record of a customer's account that is issued at regular intervals, showing all transactions recorded for the period in question.
<b>Banker's Acceptance</b>	Negotiable time drafts, or bills of exchange, that have been accepted by a bank which, by accepting, assumes the obligation to pay the holder of the draft the face value of the instrument on the specified maturity date. Bankers' Acceptances are generally used to finance export, import, shipment, or storage of goods.
<b>Bankruptcy</b>	A condition in which a firm (or individual) is unable to meet its (his) obligations and, hence, its (his) assets are surrendered to a court for administration.
<b>Basis Point</b>	One-hundredth of one percentage point (i.e. 0.01%), normally used for indicating spreads or cost of finance.
<b>Bid/Bond Guarantee</b>	A guarantee issued by a bank on behalf of a seller to a buyer to support the sellers' bid or tender for a contract. If the sellers' bid is accepted, the buyer can claim compensation under the guarantee.
<b>BIFR</b>	Board for Industrial and Financial Reconstruction.

<b>Bill Discounting</b>	Receiving payment on a bill of exchange prior to the bill's maturity by surrendering the bill for the face value less applicable interest for the time remaining up to maturity.
<b>Bill of Exchange</b>	An order written by the seller of goods instructing the purchaser to pay the seller (or bearer of the bill) a specified amount on a specified future date.
<b>Bill of Lading</b>	A document which represents ownership of goods in transit.
<b>Blue Chips</b>	Shares in leading quoted companies that can be easily bought and sold without influencing their price (liquidity) and are regarded as low-risk investments.
<b>Bond</b>	A negotiable instrument evidencing debt, under which the issuer promises to pay the holder its face value plus interest as agreed.
<b>Book Value</b>	The cost price of an asset less accumulated depreciation.
<b>Bought financing</b>	Short-term financing arranged by a bank for offering continuing source of funds pending receipt of loan/bond issue proceeds.
<b>BR Act</b>	Banking Regulation Act.
<b>Brand name capital</b>	A firm's reputation; the result of non-salvageable investment which provides customers with an implicit guarantee of product quality for which they are willing to pay a premium.
<b>Break-even point</b>	Refers to the price at which a transaction produces neither a gain nor a loss.
<b>Bridge Loan</b>	Temporary finance provided to a project until long-term arrangements are made.
<b>BSE</b>	Bombay Stock Exchange
<b>Bull</b>	One who expects prices to rise.
<b>Bull Market</b>	A market in which prices keep rising.
<b>Bullet redemption</b>	Repayment of a debt in one lump sum at the end of the maturity period. A common practice in Euro markets in respect of bond issues.
<b>Bundling</b>	Provision of more than one product or service to a customer at an inclusive price e.g. 'free' life insurance with a loan.

<b>Bust-up takeover</b>	An acquisition followed by divestment of some or all of the operating units of the acquired firm which are presumably worth more in pieces than as a going concern.
<b>Buy-back</b>	A public company, which buys its own shares, by tender offer, in open market, or in a negotiated buy-back from a large block holder.
<b>CIF</b>	Cost, Insurance and Freight
<b>Call Date</b>	Date on which a bond may be redeemed before maturity at an option of the issuer.
<b>Call Money</b>	Loaned funds that are repayable upon the request of either party.
<b>Call Option</b>	An option that gives its holder the right to buy an asset at a fixed price during a certain period
<b>Call Provision</b>	A feature of a bond that entitles the issuer to retire the bond before maturity
<b>Cap</b>	A ceiling on the interest rate on a floating-rate note.
<b>Capital</b>	Funds invested in a firm by the owners for use in conducting the business.
<b>Capital Adequacy Ratio (CAR)</b>	A ratio of total capital divided by risk-weighted assets and risk-weighted off-balance sheet items. A bank is expected to meet a minimum capital ratio specifically prescribed by the Regulator.
<b>Capital budget</b>	The list of planned capital expenditures prepared usually annually
<b>Capital Gain and Loss</b>	The difference between the price that is originally paid for a security and cash proceeds at the time of maturity (face value of bond) or at the time of sale (selling price of a bond or stock). When the difference is positive, it is a gain, but when it is negative, it is a loss.
<b>Capital investments</b>	Money used to purchase permanent fixed assets for a business, such as machinery, land or buildings as opposed to day-to-day operating expenses.
<b>Capital Market</b>	Market in which financial instruments are bought and sold.
<b>Capital Structure</b>	The composition of a firm's long-term financing consisting of equity, preference shares, and long-term debt.
<b>Cash cows</b>	Business segments, having a high market share in low growth product

	markets, which generate more cash flow than needed for reinvestment.
<b>Cash Credit (CC)</b>	An arrangement whereby the bank gives a short-term loan against the self-liquidating security.
<b>Cash Discount</b>	A discount given to buyers for cash rather than credit purchase.
<b>Cash flow forecast</b>	An estimate of when and how much money will be received and paid out of a business. It usually records cash flow on a month-by-month basis.
<b>Certificate of Deposit (CD)</b>	A negotiable instrument issued by a bank evidencing time deposit
<b>Cheque</b>	A written order on a bank instrument for payment of a certain amount of money.
<b>CIBIL</b>	Credit Information Bureau of India Ltd.
<b>CLB</b>	Company Law Board
<b>Clean-up merger</b>	Also called Take-out merger. The consolidation of the acquired firm into the acquiring firm after the acquirer has obtained control.
<b>CMS</b>	Cash Management Services.
<b>Collateral</b>	Property (real, personal or otherwise) pledged as security for a loan. Also, any supplementary promise of payment, such as a guarantee.
<b>Collusion</b>	A secret agreement between two or more persons to defraud another person of his or her right in order to achieve an unlawful objective.
<b>Commercial Credit Risk</b>	The risk of loss from providing credit to corporate counter-parties. Extension of credit can take the form of direct loans and contingencies/ guarantees.
<b>Commercial Paper (CP)</b>	Issue of short-term notes, without any underwriting, representing a promise to repay the amount at a specified future date.
<b>Commitment fee</b>	A fee charged by a bank in respect of an unused balance of a line of credit or sanction of loan designed to offset the bank's cost of keeping the funds available.
<b>Compound Interest</b>	Interest payable (receivable) on interest.
<b>Conglomerate</b>	A combination of unrelated firms; any combination that is not vertical or horizontal

<b>Consumer Price Index (CPI)</b>	An index that measure movements in the average price of products and services.
<b>Convertible Bond</b>	A bond that is convertible into common stock.
<b>Convertible Security</b>	Bond or preferred stock which is convertible into equity shares generally at the option of the holder
<b>Corporate Banking</b>	Banking services for large firms.
<b>Corporate Governance</b>	A system by which organizations are directed and controlled. Board of directors are responsible for the governance of their organizations.
<b>Corporate Tax</b>	A tax on the profits of firms, as distinct from taxation of the incomes of their owners.
<b>Coupon Rate</b>	The stated interest rate on a bond.
<b>Covenant</b>	A definite provision in a loan contract.
<b>CRAR</b>	Capital to Risk-Weighted Assets Ratio.
<b>CRAs</b>	Credit Rating Agencies.
<b>Credit Crunch</b>	Refers to a situation where supply of credit falls even though there is sufficient demand for it.
<b>Credit History</b>	A record of how a person or company has borrowed and repaid debts.
<b>Credit Risk</b>	The risk of loss from failure of the counterparty to perform as agreed (contracted).
<b>Credit Scoring System</b>	A statistical system used to determine whether or not to grant credit by assigning numerical scores to various characteristics relating to creditworthiness.
<b>Creditworthiness</b>	A creditor's measure of a consumer's or company's past and future ability and willingness to repay debts.
<b>CRISIL</b>	Credit Rating and Investment Services of India Limited
<b>Cross default</b>	Two loan agreements connected by a clause that allows one lender to recall the loan if the borrower defaults with another, and vice versa.
<b>Cumulative Dividends</b>	A feature of preferred stock that requires all past dividends on preferred stock to be paid before any equity dividends are paid.
<b>Currency basket</b>	Arrangements whereby two or more currencies are clubbed together with

	defined weights, and whose exchange rate/ interest rate is determined by computing weighted average market rates.
<b>Currency Market Risk</b>	The risk of loss from having positions in any of the currency markets. The risk can be from outright positions. It can also reside in the balance sheet or in the income flows of a company.
<b>Current assets</b>	Short-term assets, constantly changing in value, such as stocks, debtors and bank balances.
<b>Current liabilities</b>	Short-term liabilities, due to be paid in less than one year, such as bank overdrafts, money owed to suppliers and employees.
<b>Current Yield</b>	The yield on a security resulting from dividing the interest payment or dividend on it by its current market price.
<b>D/A (documents against acceptance)</b>	Refer to shipping documents presented to a bank on a collection basis to be passed to the buyer when he or she accepts a bill of exchange. The bank holds the bill of exchange until it ends (maturity) when they ask the buyer to pay the seller.
<b>D/P (documents against payment)</b>	Refer to shipping documents presented to a bank on a collection basis to be passed to the buyer (drawee) when payment is made.
<b>DCF</b>	Discounted Cash Flow.
<b>Debenture</b>	An instrument for raising long-term debt. Debentures in India are typically secured by tangible assets.
<b>Debt/equity ratio</b>	A comparative ratio of debt and equity used to measure the gearing/ health of a business.
<b>Default</b>	Generally, failure to satisfy an obligation when due, or the occurrence of one of the defined events of default agreed to by the parties under a contract.
<b>Default Risk</b>	The risk that a borrower may not repay principal and/or interest as originally agreed.
<b>Default Risk Premium</b>	The component of a required interest rate that is based on the lenders' perceived risk of default.
<b>Depreciation</b>	An annual deduction of a part of the cost of an asset. In general, it means



	a decline in market value.
<b>DFI</b>	Development Financial Institution.
<b>Direct Financing</b>	Provision of funds for investment to the ultimate user of funds.
<b>Direct taxes</b>	Taxes which affect the consumer directly, such as income tax, corporate tax, capital gains tax etc.
<b>Discount</b>	The amount by which a bond or preferred stock sells below its par or face value. In foreign exchange market, it is the amount by which forward price is less than the spot price. In general, it means an extent of reduction in the price / value of the asset/ product which is given when it is sold.
<b>Dividends</b>	Company earnings that may be paid out to shareholders according to the number of shares or stocks they hold. Dividends can be earned on stocks as also units of mutual funds.
<b>Documentary Credit</b>	Written undertaking by a bank on behalf of an importer authorizing an exporter to draw drafts on the bank up to a specified amount under specific terms and conditions. They are used to facilitate international trade. Also called Letter of Credit (LC).
<b>DRT</b>	Debt Recovery Tribunal.
<b>Due diligence</b>	While finalizing documentation, the lead manager and the legal counsel conduct a thorough review of the borrowing entity with reference to the financials, legality, and all such matters relevant in a public offering of securities.
<b>Earning Yield</b>	The ratio of earning per share to market price of the share.
<b>ECBs</b>	External Commercial Borrowings.
<b>ECGC</b>	Export Credit Guarantee Corporation.
<b>Effective rate of interest</b>	The percentage rate of return on an annual basis, reflecting the effect of intra-year compounding.
<b>Entrepreneur</b>	A person who conceives, starts and manages a business.
<b>EOUs</b>	Export-Oriented Units.
<b>Equitable mortgage</b>	A type of mortgage under which one still owns the property which is

	security for the mortgage. The owner can occupy or live in the property.
<b>Equity</b>	The value of a business after all debts and other claims are settled. Also, the amount of cash a business owner invests in a business and/ or the difference between the price for which a property could be sold and the total debts registered against it.
<b>Escrow Account</b>	An account for which a bank acts as an uninterested third party (custodian / depository) to ensure compliance with the terms of the deal between two parties only upon the fulfillment of some stated conditions. The account becomes operative on the occurrence of the stated event. Banks hold such accounts in which funds accumulate to pay taxes, insurance on mortgage property, etc.
<b>Exchange Rate</b>	The rate at which one currency may be exchanged for another.
<b>Exchange Rate Risk</b>	The risk that changes in currency exchange rates may have an unfavourable impact on costs or revenues of economic units.
<b>Excise duties</b>	Duties levied on items manufactured within the country and paid by the manufacturer.
<b>Exports</b>	Products and services sold to other countries.
<b>Face Value</b>	The stated principal amount of a financial instrument.
<b>Factoring</b>	Sale of receivables to a financial institution usually on a 'non-recourse' basis.
<b>Fixed assets</b>	Assets such as land, buildings, machinery or property used in operating a business that will not be consumed or converted into cash during the current accounting period.
<b>Fixed Rate</b>	A predetermined rate of interest applied to the principal of a loan or credit agreement.
<b>Foreign Exchange</b>	Various instruments used to settle payments for transactions between individuals or organizations using different currencies (e.g. notes, cheques, etc.)
<b>Foreign Exchange Rate</b>	The value of a nation's currency in terms of another nation's currency.
<b>Foreign Trade</b>	The exchange of goods between two nations.

<b>Forfaiting</b>	A form of export finance in which the forfaiter accepts, at a discount from the exporter, a bill of exchange or promissory note (note) from the exporter's customer; the forfaiter in due course collects payment of the debt. Such notes are normally guaranteed by the customer's bank. Maturities are normally up to three years.
<b>Forward Contract</b>	A contract in which one party agrees to buy, and the other to sell, a specified product at a specified price on a specified date in the future.
<b>Forward Cover</b>	Forward purchase or sale of foreign currency to offset an anticipated future cash flow.
<b>FRNs</b>	Floating Rate Notes.
<b>Funded debt</b>	Generally, a short-term debt that has been converted into long-term debt funding.
<b>Futures</b>	Contracts to buy something in the future at a price agreed upon in advance. First developed in the agriculture commodity markets but often involve foreign exchange, and Government bonds.
<b>Going-concern value</b>	The value of the firm as a whole over and above the sum of the values of each of its parts; the value of an organization's learning and reputation.
<b>Goodwill</b>	The excess of the purchase price paid for a firm over the book value received. Recorded on the acquirers' balance sheet.
<b>Gross Domestic Product (GDP)</b>	The total of market value of the finished goods and services produced in a country in a given year. Comprising three sectors viz. Agriculture, Industry & Services.
<b>Gross National Product (GNP)</b>	The total market value of finished goods and services produced in the country in a given year, plus the income of domestic residents from investments made abroad, minus the income earned by foreigners abroad from the domestic market.
<b>Gross Profit margin</b>	The difference between the sales a business generates and the costs it pays out for goods.
<b>Guaranty</b>	The undertaking of responsibility by one party for another party's debt or obligation to perform some specific act or duty. Although the original

	debtor is responsible for the debt, the guarantor becomes liable in the event of a default.
<b>Haircut</b>	The difference between the market value of a security and its value when used as collateral. The haircut is intended to protect a collateral taker from losses due to declines in collateral values.
<b>Hedge</b>	One investment purchased against another investment in order to counter any loss made by either.
<b>Holding company</b>	A company which controls another company, usually by owing more than half of its shares.
<b>ICD</b>	Inter-Corporate Deposit.
<b>Imports</b>	Goods and services that a country buys from other countries.
<b>Indemnity</b>	If someone promises to compensate someone else for loss or damage, it is called an indemnity.
<b>Indirect financing</b>	The process by which deficit spending units obtain funds from financial intermediaries who, in turn, them from ultimate surplus spending units.
<b>Indirect taxes</b>	Taxes, which are charged on goods produced, imported or exported: Excise and Customs duties.
<b>Industry life cycle</b>	<p>A conceptual model of the different stages of an industry's development.</p> <ol style="list-style-type: none"> <li>1. Development stage: New product, high investment needs, losses;</li> <li>2. Growth stage: Consumer acceptance, expanding sales, high profitability, ease of entry;</li> <li>3. Maturity stage: Sales growth slows, excess capacity, prices and profits decline – key period for merger strategy;</li> <li>4. Decline stage: Substitute products emerge, sales growth declines, pressure for mergers to survive.</li> </ol>
<b>Inflation</b>	A percentage rate of change in the price level.
<b>Inflation Premium</b>	A premium for anticipated inflation that investors require in addition to the pure rate of interest.
<b>Initial Public Offering (IPO)</b>	The first offering to the public of common stock, e.g. of a former privately held firm, or a portion of the common stock of a hitherto wholly-owned

	subsidiary.
<b>Insolvent</b>	The condition when one is unable to pay one's debt obligations when due.
<b>Insufficient Funds</b>	When an account balance is inadequate to cover a cheque that has been written and presented for payment.
<b>Insurance</b>	A contract whereby one party agrees to pay a sum to another party for a fee (premium) in the event that the latter suffers a particular loss. The person or firm that undertakes the risk is the insurer. The party desiring to be protected from loss is the insured party.
<b>Intangible assets</b>	Assets that cannot be touched. Examples are goodwill and patent rights.
<b>Internal Rate of Return (IRR)</b>	The rate of discount at which the net present value of an investment is zero.
<b>Lease</b>	A contractual arrangement whereby one party (the lessor) grants the other party (the lessee) the right to use an asset in return for periodic rental payments.
<b>Lessee</b>	One who takes property on lease.
<b>Lessor</b>	A person, Corporation, or other legal entity that leases property to a lessee.
<b>Letter of Credit (LC)</b>	A formal document issued by a bank on behalf of a customer, stating the conditions under which the bank will honour the commitments of the customer.
<b>Lien</b>	A lender's claim on assets offered as security for a loan.
<b>Line of Credit</b>	A pre-approved credit facility (usually for one year) enabling a bank customer to borrow up to the specified maximum amount at any time during the relevant period of time.
<b>Liquidation</b>	Divestment of all the assets of a firm so that the firm ceases to exist.
<b>Liquidity</b>	The extent to which or the ease with which an asset may quickly be converted into cash with the least administrative and other costs.
<b>Loan Document</b>	A business contract by which a borrower and lender enter into an agreement. Loans are classified according to the lender or borrower involved, whether or not collateral is required, the time of maturity,

	conditions of repayment, and other variables.
<b>Loan Risk</b>	This is the risk of loss from loaning money and having the borrower fail to repay, either due to genuine reasons or willfully.
<b>Long-term Liabilities</b>	Money that one owes over a period longer than 12 months, such as mortgages, bank loans and other obligations.
<b>Margin</b>	A part of the value of security, which is not given as a loan by the bank or financial institution.
<b>Market Capitalization</b>	The total value, at market prices, of the securities at issue for a company or a stock market or sector of the stock market. Calculated by multiplying the number of shares issued by the market price per shares.
<b>NBFC</b>	Non-Banking Finance Companies.
<b>NCD</b>	Non-Convertible Debenture.
<b>Net Present Value</b>	Capital budgeting criterion, which compares the present value of cash inflows of a project discounted at the risk-adjusted cost of capital to the present value of investment outlays discounted at the risk-adjusted cost of capital.
<b>Net Worth</b>	Book value of a company's common stock, surplus, and retained earnings.
<b>Non Performing Assets (NPA)</b>	When due payments in credit facilities remain overdue above a specified period, then such credit facilities are classified as NPA.
<b>Non-Recourse Discounting</b>	Purchase from the seller of accepted term Bills of Exchange at a discount to allow for funding of the advance from the discount date until the maturity date of the bills. When the discount is provided on a non-recourse basis the financing bank has no recourse to the seller in the event of non-payment by the buyer or the buyers' bank.
<b>NSE</b>	National Stock exchange of India Limited.
<b>Obligation</b>	The responsibility to perform some act or pay a sum of money when due.
<b>OD</b>	Overdraft
<b>Off-Balance Sheet</b>	Includes all banking transactions that do not appear on the balance sheet of a bank as an asset or as a debt. Includes all commitments for which a cash flow arises conditional on a specific event. For instance, a loan

	guarantee will create an obligation only if there is a default. Derivatives are a form of off-balance sheet transactions.
<b>On-Line</b>	A computer system where input data are processed as received and output data are transmitted as soon as they become available to the point where they are required.
<b>Open-End Credit</b>	Commonly referred to as a Line of Credit. May be used repeatedly up to a certain limit; also called a Charge Account or Revolving Credit.
<b>Open-End Lease</b>	Often, referred to as a finance lease. A lease that may involve a balloon payment based on the value of the property when it is returned.
<b>Operating Cycle</b>	The length of time taken by a firm to produce its final product, sell it to customers, and collect proceeds of the sale in cash.
<b>Operating Lease</b>	Short-term, cancelable lease.
<b>Operating synergy</b>	Combining two or more entities results in gains in revenues or cost reductions because of complementarities or economies of scale or scope.
<b>Operational Risk</b>	Includes all risks not included in market risks and credit risks, such as losses arising from fraud, failure in computer systems and data entry errors.
<b>Opportunity Cost</b>	The rate of return that can be earned on the best alternative investment. In general, the gain or return on the next best investment opportunity or the next best use of resources, which is forgone by putting the resources to a given use.
<b>Option</b>	A formal contract which grants the holder of the option the right to buy or sell a certain quantity of an underlying interest or asset at a stipulated price within a specific period of time.
<b>Option Contract</b>	A contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset by (or on) a specific date for a specific price. For this right the purchaser pays a premium.
<b>Overdraft System</b>	The system in which the borrower is allowed to overdraw on his current account with the banker upto a certain specified limit during a given period.

<b>Par Value</b>	The value of a security when it is issued. For bonds and preferred stock, par value is equivalent to face value.
<b>Partial Shipment</b>	A load sent in more than one consignment. In a Letter of Credit, the buyer can say whether this is allowed or not allowed.
<b>Partnerships</b>	Shared ownership among two or more individuals, some of whom may, but do not necessarily, have limited liability with respect to obligations of the group. There is a written agreement among partners detailing the terms and conditions of participation in a business ownership arrangement.
<b>Pass Through Certificates</b>	Debt instruments backed by a portfolio of assets.
<b>Payback period</b>	Length of time required for an asset to generate cash flows just enough to cover the initial outlay.
<b>Plain Vanilla Transactions</b>	The most common and generally the simplest types of derivatives transaction. Transactions that have unusual or less common features are often called exotic or structured.
<b>Pledge</b>	If someone pledges goods, they let a second person take possession of the goods, but the person pledging the goods still owns them. It is often done as security for money owed or to make sure that something is done as promised.
<b>Power of Attorney</b>	A power of attorney is a document, which gives power to the person appointed by it to act for the person who signed the document.
<b>Prepayment</b>	Payment of the principal amount of a loan ahead of the scheduled date.
<b>Present Value</b>	The discounted value of a payment or stream of payments to be received in future, taking into consideration a specific interest or discount rate. Present Value represents a series of future cash flows expressed in today's value.
<b>Prime Lending Rate (PLR)</b>	The rate of interest charged on loans by banks to their most creditworthy customers.
<b>Principal</b>	Amount of debt that must be repaid. Also means a person who deals in



	securities on his own account and not as a broker.
<b>Product Differentiation</b>	Development of a variety of product configurations to appeal to a variety of consumer tastes.
<b>Product Life Cycle</b>	A conceptual model of the stages through which products or lines of businesses pass. Includes development, growth, maturity, and decline. Each stage presents its own threats and opportunities.
<b>Product Mix</b>	The composite of products offered for sale by an organization.
<b>Productivity</b>	The amount of physical output for each unit of productive unit.
<b>Promissory Note</b>	A signed undertaking from one party containing a promise to pay a stated sum to a specified person or a company at a specified future date.
<b>PSB</b>	Public Sector Bank
<b>PSE</b>	Public Sector Enterprise
<b>PSU</b>	Public Sector Undertaking
<b>Purchasing Power Parity</b>	The concept that homogeneous goods cannot have more than one price measured in any one currency. If the price increases domestically, the domestic currency will depreciate so that the price denominated in foreign currency remains the same.
<b>Pure Conglomerate Merger</b>	A combination of firms in non-related business activities that is neither a product-extension nor a geographic-extension merger.
<b>Rating</b>	Refers to the credit quality of a counterparty. External ratings are given by rating agencies (ranging from AAA very safe asset to C). Internal ratings are granted by the bank itself.
<b>Ratio</b>	Comparison of two figures used to evaluate business performances, such as debt/equity ratio return on investment, etc.
<b>Reconciliation</b>	Checking all bank account papers to make sure that the bank's records and customer's records are in sync.
<b>Recourse</b>	In the context of a sale of a loan by a bank to investors, they have the right to call the guarantee from the bank should the borrower be unable to meet its obligations
<b>Redemption</b>	Redemption means paying off all the money borrowed under an

	agreement.
<b>Resolution</b>	A formal document expressing the intention of a board of directors of a corporation.
<b>Revolving Letter of Credit</b>	A Letter of Credit in which the value of the Letter of Credit is automatically reinstated upon utilization. A Letter of Credit may revolve by value, time or both.
<b>Rights Issue</b>	Issue of securities offered to existing shareholders/ bond holders on a pre-emptive or priority basis.
<b>Risk Assessment</b>	A process used to identify and evaluate risks and their potential effect.
<b>Sale</b>	Transfer of ownership of some type of property from one person to another, for some consideration.
<b>Salvage</b>	The attempt to get repayment of some portion of a loan obligation which has already been written off the bank's books.
<b>Scale Economies</b>	The reduction in per-unit costs achievable by spreading fixed costs over a higher level of production.
<b>SEBI</b>	Securities and Exchange Board of India.
<b>SEBs</b>	State Electricity Boards.
<b>Securitization</b>	The process of transformation of a bank loan into tradable securities. It often involves the creation of a separate corporate entity, the Special Purpose Vehicle (SPV), which buys the loans financing itself with securities that are sold to investors.
<b>Selective Credit Control (SCC)</b>	Control of credit flow to borrowers dealing in some essential commodities to discourage hoarding and black-marketing.
<b>Senior Debt</b>	Debt which, in the event of bankruptcy, must be repaid before subordinated debt receives any payment.
<b>Serial Bonds</b>	Bonds that mature at specified intervals.
<b>Series Bond</b>	Bond which may be issued in several series under the same indenture.
<b>Service Charge</b>	A fee paid for using a service.
<b>Service Provider</b>	The organization which provides the outsourced service.
<b>SEZ</b>	Specific Economic Zone.

<b>SFC</b>	State Financial Corporation.
<b>Short-term Loan</b>	Loan to a business for less than one year, usually for operating needs.
<b>SICA</b>	Sick Industrial Companies (Special Provisions) Act.
<b>Sinking Fund</b>	A fund to which a firm makes a periodic contribution to facilitate retirement of debt.
<b>Special Purpose Vehicle</b>	A legal corporate entity created to buy loans from banks. It finances itself with securities issued to investors.
<b>Stakeholder</b>	Any individual or group who has an interest in a firm; in addition to shareholders and bondholders, includes labour, consumers, suppliers, the local community, and so on.
<b>Standby Letter of Credit</b>	A guarantee issued by a bank, on behalf of a buyer that protects the seller against non-payment for goods shipped to the buyer. The buyer pays the seller directly for the goods and only if the buyer fails to pay does the seller claim under the Standby Letter of Credit.
<b>Statement</b>	All transactions in a bank account for a period of time. Statements are usually given once a month.
<b>Statutory Audit</b>	By law, certain companies need to have their accounts audited by suitably qualified accountants. This is called a statutory audit.
<b>Stocks</b>	Traded on a stock exchange, these are shares in a company. Essentially, one purchases shares in an exchange for owning a part of a company.
<b>Swap</b>	An agreement for an exchange of payments between two counterparties at some point(s) in the future and according to a specified formula.
<b>SWOT</b>	Acronym for Strengths, Weakness, Opportunities and Threats; an approach to formulating firm strategy via assessment of a firm's capabilities in relation to the business environment.
<b>Syndicate</b>	Group of banks and financial institutions, which together contribute the necessary financing for a transaction.
<b>Syndicated Loans</b>	Loans to a company backed by a group of banks in order to share the risk in a large transaction among several financial institutions. There is usually a lead bank and several participating banks.

<b>Synergy</b>	The “2 + 2 = 5” effect. The output of a combination of two entities is greater than the sum of their individual outputs.
<b>Systematic Risk</b>	The risk that the failure of one participant in a payment or settlement system, or in financial markets generally, to meet its required obligations when due will cause other participants or financial institutions to be unable to meet their obligations (including settlement obligations in a payment and settlement system) when due.
<b>Take-out Merger</b>	The second-step transaction which merges the acquired firm into the acquirer and thus takes out the remaining target shares which were not purchased in the initial (partial) tender offer.
<b>Tangible Assets</b>	Physical assets such as plant, machinery, factories, and offices.
<b>Tax Avoidance</b>	Lawful agreement or re-arrangement of the affairs of an individual or company intended to avoid liability to tax.
<b>Tax Evasion</b>	Fraudulent or illegal arrangements made with the intention of evading tax, e.g. by failure to make full disclosure to the revenue authorities.
<b>Tax Haven</b>	An international banking and financial centre providing privacy and tax benefits.
<b>Tax Incentives</b>	Tax benefits. Most tax incentive measures fall into one or more of the following categories: tax exemption (tax holiday); deduction from the taxable base; reduction in the rate of tax; tax deferment, etc.
<b>Term Loan</b>	A loan intended for medium-term or long-term financing to supply cash to purchase fixed assets such as machinery, land or buildings or to renovate business premises.
<b>Tier 1 Capital</b>	Refers to core capital consisting of Capital, Statutory Reserves, Revenue and other reserves, Capital Reserves (excluding Revaluation Reserves) and unallocated surplus/ profit but excluding accumulated losses, investments in subsidiaries and other intangible assets
<b>Tier 2 Capital</b>	Comprises Property Revaluation Reserves, Undisclosed Reserves, Hybrid Capital, Subordinated Term Debt and General Provisions. This is Supplementary Capital.

<b>Title Deeds</b>	Documents which prove who owns a property and under what terms.
<b>Trade Creditors</b>	Organisations, which are owed money for goods and services supplied.
<b>Trade Debtors</b>	Organisations, which owe money for goods and services supplied.
<b>Trade Deficit</b>	The amount by which merchandise imports exceed merchandise exports.
<b>Transaction</b>	Action in a bank account. Could be a deposit, withdrawal, debit card payment, service charge or interest payment.
<b>Trust</b>	An entity created for the purpose of protecting and conserving assets for the benefit of a third party, the beneficiary- A contract affecting three parties, the settlor, the trustee and the beneficiary.
<b>Trust Deed (Settlement Deed, Declaration of Trust or Trust Instrument)</b>	Document that lays down the foundations of how the trustees are to administer and manage the trust assets and how they are to distribute and dispose of trust assets during the lifetime of the trust.
<b>Trustee</b>	Trustees have a fiduciary duty to act in accordance with a trust deed and for the benefit of the beneficiary (ies).
<b>UCPDC</b>	‘Uniform Customs and Practice for Documentary Credit’ developed by the International Chamber of Commerce as the rules that govern the operation of Letter of Credit transactions worldwide. ICC publication No.500 contains details of the rules currently in use.
<b>Undervaluation</b>	When a firm’s securities sell for less than their intrinsic, or potential, or long-run value for one or more reasons.
<b>Underwriting</b>	The arrangement in which investment bankers undertake to ensure the full success of the issue of securities.
<b>Universal Bank</b>	A bank or a financial institution that has the legal authority to offer all financial services and may, thus, be engaged in securities dealing, insurance, underwriting, and the full range of more traditional banking services.
<b>Value Creation</b>	The difference between the value of an investment and the amount of money invested by shareholders.
<b>Variable Expenses</b>	Costs of doing business that vary with the volume of business, such as

	advertising costs, manufacturing costs and bad debts.
<b>Variable Rate</b>	A variable rate loan or credit 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 term.
<b>VCF</b>	Venture Capital Fund.
<b>Venture Capital</b>	Commonly refers to funds that are invested by a third party in a business either as equity or as a form of secondary debt.
<b>Vertical Merger</b>	A combination of firms, which operate at different levels or stages of the same industry manufacturer mergers with a type company (backward integration).
<b>VRS</b>	Voluntary Retirement Scheme
<b>Winding up</b>	Winding up of a company is done by paying the company's creditors, and then distributing monies left (if any) among the members.
<b>Yield</b>	(1) A measure of the income generated by a bond. The amount of interest paid on a bond divided by the price. (2) The rate of discount which makes the present value of the stream of future returns plus the terminal value of the asset equal to the current market price of the asset.
<b>Zero Coupon Bond</b>	A bond issued at a discount (i.e. below par value), earning no interest but redeemable at its par value, thus providing a guaranteed capital gain.