

Top 250 Banking Terminologies and Their Detailed Explanations by GovernmentAdda.com

Understanding banking terminology is crucial for professionals, students, and anyone dealing with financial transactions. This article covers 250 essential banking terms, providing explanations and real-world examples.

1. Account Balance

- The amount of money in a bank account at a given time.
- *Example:* If you deposit \$500 and withdraw \$200, your account balance is \$300.

2. Annual Percentage Rate (APR)

- The annual rate charged for borrowing or earned through an investment.
- *Example:* If a loan has a 10% APR, you will owe \$100 in interest annually on a \$1,000 loan.

3. Automated Teller Machine (ATM)

- A machine that allows bank customers to withdraw and deposit money without visiting a branch.

- *Example:* You use an ATM to withdraw \$100 from your checking account.

4. Bank Statement

- A summary of all transactions in an account over a period.
- *Example:* Your bank sends you a monthly statement showing all deposits, withdrawals, and fees.

5. Beneficiary

- A person designated to receive funds from an account or insurance policy.
- *Example:* You name your spouse as the beneficiary of your savings account.

6. Certificate of Deposit (CD)

- A time deposit with a fixed interest rate and maturity date.
- *Example:* A 5-year CD at 3% interest means your money is locked in for five years with a guaranteed return.

7. Clearinghouse

- An intermediary that facilitates financial transactions between banks.
- *Example:* When you write a check, a clearinghouse processes it before the funds are transferred.

8. Credit Score

- A numerical representation of a person's creditworthiness.
- *Example:* A credit score of 750 makes you eligible for lower-interest loans.

9. Direct Deposit

- The electronic transfer of a payment directly into a recipient's bank account.
- *Example:* Your employer deposits your salary directly into your checking account.

10. Electronic Funds Transfer (EFT)

- The movement of money between accounts electronically.
- *Example:* Paying bills online through a bank's website is an EFT.

11. Equity

- The ownership interest in an asset after deducting liabilities.
- *Example:* If your home is worth \$300,000 and you owe \$200,000, your equity is \$100,000.

12. Fixed Deposit

- A type of savings account where money is deposited for a fixed term at a predetermined interest rate.
- *Example:* You invest \$5,000 in a 1-year fixed deposit at 4% interest.

13. Foreclosure

- The legal process in which a lender takes possession of a property when the borrower fails to repay the loan.
- *Example:* If you stop making mortgage payments, the bank may foreclose on your home.

14. Guarantor

- A person who agrees to repay a loan if the borrower defaults.
- *Example:* A parent co-signing a student loan for their child acts as a guarantor.

15. Interest Rate

- The percentage charged on a loan or paid on savings.
- *Example:* A savings account with a 2% interest rate earns \$20 per year on a \$1,000 balance.

16. Liquidity

- The ease with which an asset can be converted into cash.
- *Example:* Cash is highly liquid, while real estate is less liquid.

17. Mortgage

- A loan used to purchase real estate, where the property itself serves as collateral.
- *Example:* You take out a 30-year mortgage to buy a house.

18. Overdraft

- A situation where a bank account balance goes below zero due to withdrawals exceeding deposits.
- *Example:* If you have \$50 in your account and withdraw \$100, you incur a \$50 overdraft.

19. Prime Rate

- The interest rate that banks offer to their most creditworthy customers.
- *Example:* If the prime rate is 5%, a highly qualified borrower might receive a loan at this rate.

20. Repo Rate

- The rate at which a central bank lends money to commercial banks.
- *Example:* If the repo rate is 4%, banks borrow money from the central bank at this rate.

21. Retail Banking

- Banking services provided to individual consumers rather than businesses.

- *Example:* Savings accounts, personal loans, and credit cards are part of retail banking.

22. Savings Account

- A bank account that earns interest and is used for storing money.
- *Example:* You open a savings account to set aside money for future needs.

23. Secured Loan

- A loan backed by collateral, such as a house or car.
- *Example:* A mortgage is a secured loan because the house acts as collateral.

24. Unsecured Loan

- A loan that does not require collateral.
- *Example:* A personal loan or credit card debt is an unsecured loan.

25. Variable Interest Rate

- An interest rate that changes based on market conditions.
- *Example:* A mortgage with a variable rate may have its interest adjusted annually.

26. Wire Transfer

- An electronic transfer of money between banks.

- *Example:* Sending money from your U.S. bank account to a European account via wire transfer.

27. Yield

- The earnings generated on an investment over a period.
- *Example:* A bond with a 5% yield returns \$50 per year on a \$1,000 investment.

28. Amortization

- The process of gradually paying off a loan through regular payments that cover both principal and interest.
- *Example:* A 30-year mortgage with equal monthly payments follows an amortization schedule.

29. Asset

- Anything of value owned by an individual or company that can be converted into cash.
- *Example:* Cash, real estate, and stocks are considered assets.

30. Balance Transfer

- Moving outstanding debt from one credit card to another with a lower interest rate.
- *Example:* Transferring a \$5,000 balance from a 20% APR credit card to a 0% introductory APR card.

31. Bank Draft

- A payment instrument issued by a bank that guarantees the funds are available.
- *Example:* A customer uses a bank draft to pay for a car purchase securely.

32. Base Rate

- The minimum interest rate set by a bank for lending to customers.
- *Example:* A bank's base rate is 3%, meaning loans will be issued at rates higher than this.

33. Bounced Check

- A check that cannot be processed because the account holder has insufficient funds.
- *Example:* Writing a \$1,000 check with only \$800 in the account results in a bounced check.

34. Call Option

- A financial contract giving the holder the right to buy an asset at a specific price before expiration.
- *Example:* An investor buys a call option to purchase stock at \$50 per share.

35. Capital Gain

- The profit earned from selling an investment at a higher price than its purchase cost.
- *Example:* Buying stock at \$100 and selling it at \$150 results in a \$50 capital gain.

36. Capital Loss

- The loss incurred when an investment is sold for less than its purchase price.
- *Example:* Selling a house for \$200,000 after purchasing it for \$250,000 results in a \$50,000 capital loss.

37. Chargeback

- A transaction reversal initiated by a bank when a customer disputes a charge.
- *Example:* A credit card company reverses a fraudulent charge on a customer's account.

38. Collateral

- An asset pledged as security for a loan.
- *Example:* A house used as collateral for a mortgage.

39. Compound Interest

- Interest calculated on both the initial principal and accumulated interest.
- *Example:* A savings account earning 5% annually will grow faster due to compound interest.

40. Credit Limit

- The maximum amount a borrower can charge on a credit account.

- *Example:* A credit card with a \$10,000 limit restricts spending beyond that amount.

41. Debt Consolidation

- Combining multiple debts into a single loan with a lower interest rate.
- *Example:* Merging three credit card balances into one personal loan with a lower interest rate.

42. Default

- Failure to meet the legal obligations of a loan repayment.
- *Example:* A borrower who stops making payments on their student loan defaults.

43. Dividend

- A portion of a company's earnings distributed to shareholders.
- *Example:* A company declares a \$2 per share dividend to its stockholders.

44. Escrow

- A financial arrangement where a third party holds and regulates funds on behalf of two parties.
- *Example:* Money held in escrow during a home purchase until closing conditions are met.

45. FICO Score

- A type of credit score used to evaluate a borrower's creditworthiness.
- *Example:* A FICO score of 800 indicates excellent credit history.

46. Financial Statement

- A report summarizing a company's financial performance and position.
- *Example:* A bank reviews financial statements before approving business loans.

47. Fixed Interest Rate

- An interest rate that remains the same throughout the loan term.
- *Example:* A car loan with a 5% fixed interest rate ensures consistent monthly payments.

48. Grace Period

- The time allowed before interest or penalties are charged on a loan or credit card.
- *Example:* A 25-day grace period on a credit card allows the user to pay the balance without interest.

49. Inflation

- The rate at which the general price level of goods and services rises over time.
- *Example:* A 3% annual inflation rate increases the cost of living.

50. Interest-Only Loan

- A loan where the borrower pays only the interest for a set period.
- *Example:* A mortgage that requires interest-only payments for the first five years before principal repayment begins.

51. Leverage

- The use of borrowed money to increase the potential return of an investment.
- *Example:* An investor uses \$10,000 of their own money and borrows \$40,000 to buy more stocks.

52. Lien

- A legal claim against an asset used as collateral for a debt.
- *Example:* A bank places a lien on a house when the homeowner defaults on their mortgage.

53. Line of Credit

- A flexible loan from a bank that allows borrowing up to a predetermined limit.
- *Example:* A business has a \$50,000 line of credit and withdraws only what is needed.

54. Liquidity Ratio

- A financial metric used to determine a company's ability to cover short-term liabilities with liquid assets.

- *Example:* A high liquidity ratio indicates that a company can easily meet its short-term debts.

- *Example:* An investor buys shares in a mutual fund that holds a diversified portfolio of stocks.

55. Margin Account

- A brokerage account that allows investors to borrow money to buy securities.
- *Example:* An investor buys stocks worth \$10,000 using \$5,000 of their own money and \$5,000 borrowed from the broker.

59. Nostro Account

- A foreign currency account held by a bank in another country.
- *Example:* A U.S. bank holds a Nostro account in euros with a European bank.

56. Microfinance

- Small loans and financial services provided to individuals and small businesses without access to traditional banking.
- *Example:* A rural entrepreneur receives a \$500 microloan to start a small business.

60. Over-the-Counter (OTC) Market

- A decentralized market where securities are traded directly between parties without a centralized exchange.
- *Example:* Penny stocks and some bonds are traded in the OTC market.

57. Money Market Account

- A type of savings account that typically offers higher interest rates and limited transactions.
- *Example:* A bank offers a money market account with a 2% interest rate.

61. Par Value

- The face value of a bond or stock as stated by the issuer.
- *Example:* A bond with a par value of \$1,000 pays interest based on that value.

58. Mutual Fund

- A pool of money collected from many investors to invest in stocks, bonds, or other assets.

62. Payday Loan

- A short-term, high-interest loan intended to cover immediate expenses until the next paycheck.
- *Example:* A borrower takes a \$500 payday loan with a 15% fee due in two weeks.

63. Point of Sale (POS)

- The location where a retail transaction occurs.
- *Example:* A credit card payment at a grocery store checkout is processed through a POS system.

64. Portfolio

- A collection of investments held by an individual or institution.
- *Example:* A diversified portfolio includes stocks, bonds, and real estate.

65. Principal

- The original sum of money borrowed or invested, excluding interest.
- *Example:* If you take a \$5,000 loan, the principal amount is \$5,000.

66. Promissory Note

- A written agreement in which one party promises to pay another a specified amount.
- *Example:* A borrower signs a promissory note agreeing to repay a \$10,000 loan.

67. Provisioning

- The process by which banks set aside funds to cover potential losses on loans.
- *Example:* A bank sets aside 5% of its loan portfolio as provisioning for bad debts.

68. Real Time Gross Settlement (RTGS)

- A system that enables immediate and final settlement of financial transactions.
- *Example:* Large-value transactions between banks are processed through RTGS.

69. Recurring Deposit (RD)

- A type of savings plan where a fixed amount is deposited regularly for a predetermined period.
- *Example:* A customer deposits \$100 monthly in an RD for five years.

70. Redemption

- The act of repaying or cashing out a financial instrument like a bond or mutual fund.
- *Example:* A bondholder redeems a \$1,000 bond at maturity.

71. Refinancing

- The process of replacing an existing loan with a new one that has better terms.
- *Example:* A homeowner refinances their mortgage to lower the interest rate.

72. Reserve Requirement

- The minimum amount of reserves a bank must hold against customer deposits.
- *Example:* If the reserve requirement is 10%, a bank with \$1 million in deposits must keep \$100,000 in reserve.

73. Reverse Mortgage

- A loan that allows homeowners to convert home equity into cash without selling the property.
- *Example:* A retiree receives monthly payments from a reverse mortgage.

74. Risk Management

- The practice of identifying and minimizing financial risks.
- *Example:* A bank diversifies its loan portfolio to reduce credit risk.

75. Secured Credit Card

- A credit card backed by a cash deposit as collateral.
- *Example:* A person with no credit history deposits \$500 and receives a secured credit card with a \$500 limit.

76. Settlement

- The process of completing a financial transaction by transferring funds or securities.
- *Example:* A stock trade is settled when the buyer receives the shares and the seller receives the payment.

77. Sovereign Bond

- A bond issued by a national government.
- *Example:* The U.S. Treasury issues sovereign bonds known as Treasury bonds.

78. Standing Instruction

- A pre-authorized instruction to a bank to carry out a transaction at a regular interval.
- *Example:* A customer sets up standing instructions to pay rent automatically every month.

79. SWIFT Code

- A unique identifier used for international wire transfers between banks.
- *Example:* A person sending money to a foreign account uses the recipient bank's SWIFT code.

80. Time Deposit

- A deposit that cannot be withdrawn before a specified maturity date.
- *Example:* A customer invests in a 1-year time deposit earning 4% interest.

81. Trade Finance

- Financial instruments and products used to facilitate international trade.

- *Example:* A company uses a letter of credit to import goods from another country.

82. Treasury Bills (T-Bills)

- Short-term government securities with maturities of one year or less.
- *Example:* An investor buys a 3-month T-Bill at a discount and receives the full value upon maturity.

83. Underwriting

- The process by which banks or insurers assess the risk of a financial transaction.
- *Example:* A bank underwrites a mortgage loan by verifying the borrower's creditworthiness.

84. Unsecured Loan

- A loan that does not require collateral.
- *Example:* A personal loan granted based on credit history rather than assets.

85. Variable Interest Rate

- An interest rate that fluctuates based on market conditions.
- *Example:* A mortgage loan with an interest rate that changes every six months.

86. Venture Capital

- Investment in startups or small businesses with high growth potential.
- *Example:* A venture capital firm invests \$2 million in a tech startup.

87. Volatility

- The degree of variation in the price of a financial asset over time.
- *Example:* Stock prices of a startup company are highly volatile due to market speculation.

88. Wealth Management

- Professional financial planning and investment advisory services.
- *Example:* A high-net-worth individual hires a wealth manager to oversee their investments.

89. Wire Transfer

- An electronic transfer of funds between financial institutions.
- *Example:* A person sends \$5,000 to a family member overseas via wire transfer.

90. Yield

- The earnings generated on an investment over a particular period.
- *Example:* A bond with a 5% annual yield pays \$50 on a \$1,000 investment.

91. Zero Balance Account (ZBA)

- A bank account that maintains a zero balance and transfers funds as needed.
- *Example:* A company uses a ZBA to manage payroll without holding excess cash.

92. Zombie Bank

- A bank that continues operations despite being insolvent.
- *Example:* A government supports a failing bank to prevent financial collapse.

93. Amortization

- The process of gradually paying off a debt over time through regular payments.
- *Example:* A mortgage loan with a 30-year term is amortized through monthly installments.

94. Asset-Backed Security (ABS)

- A financial security backed by a pool of assets, such as loans or receivables.
- *Example:* A bank issues an ABS backed by auto loans.

95. Bailout

- Financial assistance given to a struggling company or bank to prevent failure.
- *Example:* The government provides a bailout to a failing bank during an economic crisis.

96. Bankruptcy

- A legal process in which an individual or business declares inability to repay debts.
- *Example:* A company files for bankruptcy to restructure its debts.

97. Capital Adequacy Ratio (CAR)

- A measure of a bank's financial strength, calculated as capital to risk-weighted assets.
- *Example:* A bank maintains a CAR of 12% to ensure stability.

98. Collateralized Debt Obligation (CDO)

- A complex financial product backed by pooled debt obligations.
- *Example:* An investment firm sells CDOs to investors based on mortgage-backed securities.

99. Credit Default Swap (CDS)

- A financial contract that transfers credit risk between parties.

- *Example:* An investor buys a CDS as insurance against a bond default.

- *Example:* A hedge fund uses short selling and leverage to maximize profits.

100. Derivative

- A financial contract whose value is based on an underlying asset.
- *Example:* Futures contracts on commodities like oil and gold.

101. Exchange-Traded Fund (ETF)

- A type of investment fund that is traded on stock exchanges.
- *Example:* An investor buys shares of an S&P 500 ETF.

102. Fiduciary

- A person or organization responsible for managing assets in the best interest of another party.
- *Example:* A trustee managing a client's investment portfolio.

103. Gross Domestic Product (GDP)

- The total monetary value of goods and services produced within a country.
- *Example:* A country's GDP grows by 3% in a given year.

104. Hedge Fund

- An investment fund that employs various strategies to generate high returns.

105. Inflation

- The rate at which the general level of prices for goods and services rises.
- *Example:* Inflation increases the cost of living over time.

106. Leverage Ratio

- A financial metric that measures a company's debt level relative to its assets or equity.
- *Example:* A bank maintains a leverage ratio of 10% to manage risk.

107. Mortgage-Backed Security (MBS)

- A financial instrument backed by a pool of mortgages.
- *Example:* Investors buy MBS for income generated by mortgage payments.

108. Non-Performing Loan (NPL)

- A loan in which the borrower has not made scheduled payments for a specific period.
- *Example:* A bank classifies a loan as an NPL after 90 days of non-payment.

109. Overdraft

- A condition where withdrawals exceed available funds in an account.
- *Example:* A customer overdraws their checking account by \$50 and incurs a fee.

110. Prime Rate

- The interest rate that banks offer to their most creditworthy customers.
- *Example:* A bank offers mortgages based on the prime rate plus 2%.

111. Quantitative Easing (QE)

- A monetary policy in which a central bank purchases securities to increase money supply.
- *Example:* The Federal Reserve implements QE to boost economic activity during a recession.

112. Repo Rate

- The interest rate at which central banks lend money to commercial banks.
- *Example:* If the repo rate is 4%, banks borrow from the central bank at this rate.

113. Reverse Repo Rate

- The rate at which central banks borrow money from commercial banks.

- *Example:* A higher reverse repo rate encourages banks to park surplus funds with the central bank.

114. Securitization

- The process of pooling assets and selling them as securities.
- *Example:* Mortgage-backed securities are created through securitization.

115. Shadow Banking

- Financial activities conducted outside traditional banking regulations.
- *Example:* Hedge funds engaging in lending without direct bank oversight.

116. Standing Deposit Facility (SDF)

- A tool for central banks to absorb surplus liquidity without providing collateral.
- *Example:* Banks park excess funds with the central bank under the SDF mechanism.

117. Stress Testing

- A simulation to determine how financial institutions handle economic crises.
- *Example:* A bank undergoes a stress test to assess its resilience against a financial downturn.

118. Subprime Loan

- A loan offered to borrowers with poor credit scores at higher interest rates.
- *Example:* A subprime mortgage has a higher rate due to the borrower's credit risk.

119. Swap

- A derivative contract where two parties exchange financial instruments.
- *Example:* Interest rate swaps help companies manage interest rate fluctuations.

120. Systemic Risk

- The risk of collapse of an entire financial system.
- *Example:* The 2008 financial crisis was triggered by systemic risk in the banking sector.

121. Time Deposit

- A deposit that cannot be withdrawn before a specified period.
- *Example:* A fixed deposit account with a 5-year maturity.

122. Trust Fund

- A legal entity holding assets for a beneficiary.
- *Example:* A parent sets up a trust fund for their child's education.

123. Usury

- Charging excessively high-interest rates on loans.
- *Example:* A lender imposing a 50% annual interest rate on personal loans.

124. Vostro Account

- An account held by a foreign bank with a domestic bank.
- *Example:* A UK bank maintains a vostro account in an Indian bank.

125. Working Capital

- The difference between current assets and current liabilities.
- *Example:* A company with \$500,000 in current assets and \$300,000 in liabilities has \$200,000 in working capital.

126. Yield Curve

- A graph showing interest rates of bonds with different maturities.
- *Example:* An upward-sloping yield curve indicates economic growth expectations.

127. Zero-Coupon Bond

- A bond that does not pay periodic interest but is sold at a discount.
- *Example:* A zero-coupon bond with a face value of \$1,000 is sold for \$800.

128. Acceptance Credit

- A type of credit where a bank guarantees payment for a bill of exchange.
- *Example:* A company imports goods using acceptance credit from its bank.

129. Bank Reconciliation

- The process of matching a company's cash records with bank statements.
- *Example:* A business identifies missing transactions through a bank reconciliation statement.

130. Call Money

- Short-term funds lent or borrowed on a daily basis.
- *Example:* Banks borrow call money for liquidity management.

131. Debit Note

- A document indicating an outstanding payment owed.
- *Example:* A supplier issues a debit note for underpaid invoices.

132. Escrow Account

- A third-party account holding funds until transaction conditions are met.
- *Example:* A real estate transaction uses an escrow account for payment security.

133. Factoring

- The sale of accounts receivable to a third party for immediate cash.
- *Example:* A company sells its unpaid invoices to a factoring company.

134. Green Banking

- Environmentally friendly banking practices and sustainable financing.
- *Example:* A bank finances renewable energy projects as part of green banking.

135. Hypothecation

- Offering an asset as collateral without transferring ownership.
- *Example:* A car loan where the car remains collateral but ownership stays with the borrower.

136. Initial Public Offering (IPO)

- The first sale of a company's shares to the public.
- *Example:* A startup raises capital by launching an IPO.

137. Jumbo Loan

- A mortgage that exceeds conventional loan limits.
- *Example:* A \$1 million mortgage classified as a jumbo loan.

138. Kiting

- Illegal use of floating checks to gain unauthorized credit.
- *Example:* A person writes checks from one account to another without sufficient funds.

- Banks trading with their own capital for profit.
- *Example:* A bank invests in stocks and bonds using proprietary trading strategies.

139. Lien

- A legal right over an asset as security for a debt.
- *Example:* A bank places a lien on a house for an unpaid mortgage.

144. Redemption

- The repayment of a fixed-income security at maturity.
- *Example:* A bondholder receives the principal amount upon redemption.

140. Market Capitalization

- The total value of a company's outstanding shares.
- *Example:* A company with 10 million shares at \$50 each has a market cap of \$500 million.

145. Statutory Liquidity Ratio (SLR)

- The minimum percentage of a bank's net demand and time liabilities held in liquid assets.
- *Example:* Banks maintain SLR by holding government securities.

141. Net Interest Margin (NIM)

- The difference between interest earned and interest paid by banks.
- *Example:* A bank earns a 3% NIM on its loan and deposit operations.

146. Term Loan

- A loan granted for a fixed period, usually for capital expenditure.
- *Example:* A business takes a 5-year term loan to purchase machinery.

142. Operating Income

- A bank's revenue excluding interest and investment gains.
- *Example:* Fees from credit cards and account services contribute to operating income.

147. Unclaimed Deposits

- Bank deposits that remain untouched for a prolonged period.
- *Example:* A dormant savings account with funds unclaimed for 10 years.

143. Proprietary Trading

148. Venture Debt

- A loan offered to startups in addition to venture capital.

- *Example:* A startup receives venture debt to finance expansion.

- *Example:* A company takes a bridge loan before issuing bonds.

149. Write-Off

- Declaring a debt as uncollectible and removing it from accounts.
- *Example:* A bank writes off a bad loan after years of non-payment.

154. Contingent Liability

- A potential liability that may arise depending on an event.
- *Example:* A bank guarantees a customer's loan, which becomes a liability if they default.

150. Yield to Maturity (YTM)

- The total return expected on a bond if held until maturity.
- *Example:* An investor calculates YTM to assess the profitability of a bond investment.

155. Deferred Payment

- A transaction where payment is postponed.
- *Example:* A bank allows a borrower to defer loan payments during a crisis.

151. Asset Liability Management (ALM)

- A risk management technique to balance assets and liabilities.
- *Example:* A bank uses ALM to ensure it has enough liquid assets to meet liabilities.

156. Economic Capital

- The capital a bank needs to cover risks.
- *Example:* A bank calculates economic capital to withstand unexpected losses.

152. Basel Norms

- International banking regulations to strengthen financial stability.
- *Example:* Basel III requires banks to maintain a minimum capital adequacy ratio.

157. Fixed Rate Loan

- A loan with a constant interest rate.
- *Example:* A home loan with a 30-year fixed rate of 5%.

153. Bridge Loan

- A short-term loan until long-term financing is secured.

158. Gross Domestic Product (GDP)

- The total value of goods and services produced in a country.
- *Example:* A rising GDP indicates economic growth.

159. Hedging

- A risk management strategy using financial instruments.
- *Example:* A company hedges currency risk by using forward contracts.

160. Interest Rate Risk

- The risk of loss due to interest rate fluctuations.
- *Example:* A bank's bond portfolio loses value when interest rates rise.

161. KYC (Know Your Customer)

- A process to verify a customer's identity.
- *Example:* A bank requires ID and address proof before opening an account.

162. Leverage Ratio

- A measure of financial leverage in banking.
- *Example:* A bank maintains a leverage ratio above regulatory requirements.

163. Microfinance

- Small loans and financial services for low-income individuals.
- *Example:* A rural entrepreneur receives a microloan to start a business.

164. Non-Performing Loan (NPL)

- A loan where the borrower has stopped making payments.
- *Example:* A mortgage overdue for six months is classified as an NPL.

165. Open Market Operations (OMO)

- Central bank activities to control liquidity.
- *Example:* The central bank buys government bonds to inject money into the economy.

166. Prime Rate

- The lowest interest rate offered by banks to creditworthy customers.
- *Example:* A top-tier corporate borrower receives a prime rate loan.

167. Quantum Fund

- A hedge fund with large-scale investments.
- *Example:* George Soros' Quantum Fund gained fame for currency trading.

168. Risk-Weighted Assets (RWA)

- A measure of a bank's risk exposure.
- *Example:* Higher-risk loans increase a bank's RWA.

169. Structured Finance

- Complex financial instruments designed for specific needs.
- *Example:* Asset-backed securities fall under structured finance.

170. Time Value of Money (TVM)

- The principle that money today is worth more than in the future.
- *Example:* A \$100 investment today grows to \$110 in a year.

171. Underwriting

- The process of evaluating financial risk for loans or insurance.
- *Example:* A bank underwrites a mortgage before approval.

172. Virtual Banking

- Banking services offered entirely online.
- *Example:* Customers manage accounts and transfers through a digital-only bank.

173. Wholesale Banking

- Banking services for large businesses and institutions.
- *Example:* A bank provides trade finance and cash management for corporations.

174. X-Efficiency

- A measure of how efficiently banks manage resources.
- *Example:* A well-managed bank operates with minimal waste and costs.

175. Yield Spread

- The difference between yields on different debt instruments.
- *Example:* A corporate bond yields 6%, while a government bond yields 4%, creating a 2% spread.

176. Z-Score (Banking)

- A model predicting the likelihood of bank failure.
- *Example:* A high Z-score indicates financial stability.

177. Amortization

Schedule

- A table detailing loan payments over time.
- *Example:* A mortgage schedule shows principal and interest breakdowns.

178. Blockchain in Banking

- The use of blockchain for secure transactions.
- *Example:* Cross-border payments using blockchain reduce transaction time.

179. Capital Buffer

- Extra capital banks hold beyond minimum requirements.
- *Example:* A bank maintains a buffer to absorb financial shocks.

180. Debt Restructuring

- Modifying loan terms to help a borrower.
- *Example:* A business facing financial distress negotiates lower interest rates.

181. Electronic Funds Transfer (EFT)

- The digital movement of money.
- *Example:* Salary payments made via direct deposit.

182. Forbearance

- Temporary relief for borrowers facing hardship.
- *Example:* A bank allows a mortgage borrower to defer payments for six months.

183. Green Bonds

- Bonds issued to finance environmentally friendly projects.
- *Example:* A city issues green bonds to fund solar energy projects.

184. Haircut (Banking)

- A reduction in asset value used as collateral.

- *Example:* A bank values a \$100,000 bond at \$90,000 for lending purposes.

185. Insolvency

- A state where liabilities exceed assets.
- *Example:* A company files for bankruptcy due to insolvency.

186. Job Work Loan

- A loan granted for contract-based projects.
- *Example:* A construction firm secures a loan to complete a government contract.

187. Leasing

- Renting an asset instead of buying.
- *Example:* A business leases office equipment instead of purchasing.

188. Money Multiplier

- The effect of deposits on money supply expansion.
- *Example:* A \$1,000 deposit increases total money circulation through lending.

189. Negotiable Instrument

- A document guaranteeing payment.
- *Example:* A check is a negotiable instrument.

190. Operational Risk

- The risk of loss from internal failures.
- *Example:* A bank suffers a cyberattack causing financial loss.

191. Payment Gateway

- A service enabling online payments.
- *Example:* PayPal processes credit card transactions.

192. Quantum Computing in Banking

- The potential use of quantum computing for financial modeling.
- *Example:* Banks explore quantum technology for fraud detection.

193. Retail Banking

- Banking services for individual consumers.
- *Example:* A savings account falls under retail banking.

194. Secured Loan

- A loan backed by collateral.
- *Example:* A car loan is a secured loan.

195. Trade Finance

- Financial services for international trade.
- *Example:* A bank provides a letter of credit to an importer.

196. Unsecured Loan

- A loan not backed by collateral.
- *Example:* A personal loan granted based on creditworthiness.

197. Venture Capital

- Funding provided to startups and small businesses with growth potential.
- *Example:* A tech startup receives venture capital to expand operations.

198. Write-Off

- When a bank considers a loan as a loss.
- *Example:* A bank writes off a loan that is unlikely to be repaid.

199. Yield Curve

- A graph showing interest rates of bonds with different maturities.
- *Example:* An upward-sloping yield curve indicates future economic growth.

200. Zero-Coupon Bond

- A bond that doesn't pay periodic interest.
- *Example:* Investors buy zero-coupon bonds at a discount and receive face value at maturity.

201. Anti-Money Laundering (AML)

- Regulations to prevent illegal money transactions.
- *Example:* A bank implements AML checks for large transactions.

- Investment in a country by foreign entities.
- *Example:* A US company builds a factory in India as FDI.

202. Bank Run

- When many customers withdraw deposits due to panic.
- *Example:* A financial crisis causes a bank run.

207. Global Depository Receipt (GDR)

- A certificate representing shares in foreign companies.
- *Example:* An Indian company issues GDRs for global investors.

203. Collateralized Debt Obligation (CDO)

- A structured financial product backed by assets.
- *Example:* Banks package loans into CDOs and sell them to investors.

208. Hawala

- An informal money transfer system.
- *Example:* Funds move internationally without physical cash transfer.

204. Derivatives

- Financial instruments derived from underlying assets.
- *Example:* Options and futures contracts are derivatives.

209. Inflation-Indexed Bonds

- Bonds that adjust interest based on inflation.
- *Example:* Investors buy inflation-linked bonds for protection.

205. Exchange-Traded Fund (ETF)

- A marketable security tracking an index, commodity, or sector.
- *Example:* Investors buy ETFs for diversified exposure.

210. Joint Account

- A bank account shared by multiple individuals.
- *Example:* A married couple opens a joint savings account.

206. Foreign Direct Investment (FDI)

211. Liquidity Coverage Ratio (LCR)

- A measure ensuring banks maintain enough liquid assets.
- *Example:* A bank holds high-quality liquid assets for 30 days of stress.

- The rate at which central banks lend to commercial banks.
- *Example:* The central bank reduces repo rate to boost lending.

212. Merchant Banking

- Financial services for businesses.
- *Example:* A merchant bank helps a company raise capital.

218. Securitization

- Pooling assets to issue securities.
- *Example:* Banks securitize mortgages into mortgage-backed securities.

213. Nominee Account

- An account where assets are held on behalf of another party.
- *Example:* Brokers use nominee accounts for client investments.

219. Treasury Bills (T-Bills)

- Short-term government securities.
- *Example:* Investors buy T-bills as low-risk investments.

214. Overdraft Protection

- A service preventing negative account balances.
- *Example:* A bank covers a customer's transaction to avoid overdraft fees.

220. Unbanked Population

- Individuals without access to banking services.
- *Example:* Many rural populations remain unbanked.

215. Public Sector Bank

- A bank owned by the government.
- *Example:* State Bank of India (SBI) is a public sector bank.

221. Volcker Rule

- A regulation restricting speculative trading by banks.
- *Example:* Banks cannot engage in proprietary trading under the Volcker Rule.

216. Quasi-Bank

- A financial institution providing banking-like services.
- *Example:* Non-banking financial companies (NBFCs) act as quasi-banks.

222. Wholesale Credit

- Large-scale lending to businesses.
- *Example:* A corporation secures wholesale credit for expansion.

217. Repo Rate

223. Yield to Maturity (YTM)

- The total return on a bond if held to maturity.
- *Example:* A bond with a 5% YTM will yield that return upon maturity.

224. Zero Balance Account

- A bank account with no minimum balance requirement.
- *Example:* Employees receive salaries through zero-balance accounts.

225. Alternative Investment Fund (AIF)

- A fund investing in non-traditional assets.
- *Example:* Hedge funds fall under AIFs.

226. Banking Ombudsman

- An official resolving banking disputes.
- *Example:* A customer files a complaint with the banking ombudsman.

227. Central Counterparty (CCP)

- An entity ensuring trade settlements.

- *Example:* CCPs mitigate counterparty risks in financial markets.

228. Deposit Insurance

- Protection for bank deposits up to a certain limit.
- *Example:* Deposit Insurance covers up to \$250,000 in the US.

229. Escrow Account

- A third-party-held account for transaction security.
- *Example:* Property buyers use escrow accounts for deposits.

230. Fiduciary Duty

- An obligation to act in another's best interest.
- *Example:* Banks owe fiduciary duties to clients in investment decisions.

231. Green Banking

- Environmentally sustainable banking practices.
- *Example:* Banks promote paperless transactions and green loans.

232. Hedge Fund

- A pooled investment fund with diverse strategies.
- *Example:* Hedge funds engage in aggressive trading for returns.

233. Initial Coin Offering (ICO)

- Cryptocurrency fundraising.
- *Example:* Startups raise capital through ICOs by issuing tokens.

234. Jumbo Loan

- A loan exceeding standard limits.
- *Example:* A \$1 million mortgage qualifies as a jumbo loan.

235. Kiosk Banking

- Small-scale banking services at kiosks.
- *Example:* Rural areas use kiosk banking for financial inclusion.

236. Loan-to-Value Ratio (LTV)

- The ratio of loan amount to asset value.
- *Example:* A 70% LTV mortgage means 70% of the house is financed.

237. Microcredit

- Small loans for low-income individuals.
- *Example:* A farmer receives microcredit for seeds and tools.

238. Non-Banking Financial Company (NBFC)

- A financial institution that doesn't have a banking license.
- *Example:* NBFCs offer loans and insurance without full banking services.

239. Overnight Rate

- The interest rate banks charge each other for overnight loans.
- *Example:* Central banks influence monetary policy through overnight rates.

240. Prime Rate

- The interest rate that commercial banks charge their most creditworthy customers.
- *Example:* A business with an excellent credit score may get a loan at the prime rate.

241. Qualified Institutional Buyer (QIB)

- Institutional investors with significant financial expertise and assets.
- *Example:* Mutual funds and insurance companies are considered QIBs.

242. Retail Banking

- Banking services offered to individual consumers.
- *Example:* Checking accounts, personal loans, and credit cards fall under retail banking.

243. Special Purpose Vehicle (SPV)

- A subsidiary created to isolate financial risk.
- *Example:* A company forms an SPV to manage a securitized asset portfolio.

244. Treasury Bond (T-Bond)

- Long-term government securities with fixed interest payments.
- *Example:* Investors buy T-Bonds as a stable investment for long-term returns.

245. Universal Banking

- A bank offering a wide range of financial services.
- *Example:* A universal bank provides commercial banking, investment banking, and insurance services.

246. Vostro Account

- An account a foreign bank holds in a domestic bank.
- *Example:* A UK bank's account with an Indian bank is a Vostro account.

247. Wholesale Banking

- Banking services provided to large organizations and corporations.
- *Example:* A multinational corporation secures a large loan through wholesale banking.

248. X-Efficiency

- The ability of a bank to maximize output while minimizing costs.
- *Example:* A bank improves X-efficiency by adopting digital banking solutions.

249. Yield Spread

- The difference between yields of different securities.
- *Example:* A corporate bond yielding 6% versus a government bond yielding 4% has a 2% yield spread.

250. Zoning Ordinance in Banking

- Regulations governing the physical locations of banking institutions.
- *Example:* A city's zoning laws restrict banks from opening branches in residential areas.