# INVESTMENT GLOSSARY

**Accreted Interest** - The difference between par value of a zero coupon security and purchase price. Also called original issue discount. Yearly accreted interest is the amount of accreted interest "earned" each year that you hold a zero coupon investment.

**Accrued Interest** - The amount which the buyer of a fixed-income security must pay the seller of the security to compensate the seller for holding the security between the last coupon payment date and settlement date. The accrued interest, added to the instrument's dollar price, constitutes the net amount, net proceeds or invoice amount.

**ACH - Automated Clearing House** - A method of transferring funds. Member banks wire instructions to the Automated Clearing House which then wires to the appropriate receiving bank.

**Advanced Option** - Multiple option strategy. See Spread Order, Straddle, Strangle, Buy/Write, Sell/Write, and Unwind.

**Agency Security** - Any of the bills, notes, and bonds issued by agencies of the federal government.

**All or None (AON)** - A type of order where the client wants the entire order executed or none of it.

**American Depository Receipt (ADR)** - A share of stock that is issued by an American bank and is backed by foreign securities on deposit.

**American Stock Exchange (AMEX)** - Located at 86 Trinity Place, New York, NY; a major stock and option exchange.

**Amortization** - An accounting term indicating the appointment of an incurred expense over the life of an asset. For example, if a three-year magazine subscription (an expense) is paid in year one, it should be "amortized" (or "spread out") over the three-year life of the subscription (the asset).

**Annual Report** - A formal presentation of the corporation’s financial statements that is sent to its registered stockholders. If shares are registered in the nominee name (in the care of the brokerage firm), the proxy department has to obtain copies of the report and mail them to the beneficial owners (clients).

**Annuity** - A contract with an insurance company in which the individual makes either lump-sum or periodic payments to the insurance company and in return receives a lifetime income (usually guaranteed).

**AON** - See All or None.

**Arbitration** - A method of settling a dispute by utilizing an impartial individual or individuals. All exchanges and securities associations have adopted a Code of Arbitration through which all disputes between firms, employees and firms, and firms and clearing corporations are settled.

**Ask (Asked Price)** - The lowest round lot price at which a broker will offer for sale a security on an exchange or over-the-counter market.

**As-of** - A term used to describe any trade processed not on the actual trade date, but "as of" the actual trade date.

**Asset** - Goods available to pay debts. Anything owned by an individual or corporation.

**Assign** - Action of the option holder (buyer) requiring the option seller (writer) to complete the terms of the option contract. The writer would be required to either buy stock from the holder or deliver stock to the holder.

**At-the-Money** - Refers to options in which the underlying stock is trading at the same price as the option strike price.

**Auction** - The issuance of new Treasury bills, notes, and bonds at stated intervals by the Federal Reserve.

**Auction Market** - A market where buyers and sellers enter simultaneous bids and offers such as the New York Stock Exchange.

**Average** - Also known as an index, a mathematical computation that indicates the value of a number of securities as a group. The three most popular averages are the Dow Jones Industrial Average (DJI), Standard & Poor's (S&P) 500, and the New York Stock Exchange Composite. The average, which may be market-weighted, share-weighted, or price-weighted, indicates performance.

**Average Life** - The estimate of maturity for a pool of mortgage-backed securities.

**Baby Bond** - Bond with a face value of less than $1,000.

**Balance Sheet** - An accounting statement reflecting the firm's financial condition in terms of assets, liabilities, and net worth (ownership). In a balance sheet, Assets = Liabilities + Net Worth.

**Basis Points** - A relationship between a bond's price and a yield subdivided into hundredths. One hundred basis points equals 1 percent interest yield.

**Basis Price** - A method of pricing municipal bonds, T bills, and certain other instruments. It is an expression of yield to maturity.

**Bear Market** - A market in which prices are generally declining.

**Bearer Stocks/Shares** - Securities for which no register of ownership is kept by the company. A bearer certificate has an intrinsic value. Dividends are not received automatically from the company but must be claimed by removing and returning "coupons" attached to the certificate.

**Beneficial Owner** - The owner of a security who is entitled to all the benefits associated with ownership. Customers' securities are often registered in the name of the brokerage firm or central depository rather than in the name of the customer. Even so, the customer remains the real or beneficial owner.

**Bid** - The highest price anyone has declared that they want to pay for a security at a given time.

**Blue Chip** - A term used to describe the common stocks of corporations with the strongest of reputations. (In poker, the blue chip is usually assigned the highest money value.)

**Bond Anticipation Notes (BAN's) -** These are issued when revenue is anticipated from a bond issue. To avoid poor market conditions, an issuer might delay a bond issue. Or, the issuer might want to combine several projects into one larger issue. During this process, they issue the BAN's.

**Bond** - A debt instrument; a security that represents the debt of a corporation, a municipality of the federal government, or any other entity. A bond is usually long-term in nature (10 to 30 years).

**Bond Fund** - Type of mutual fund that invests in bond and preferred stocks with the idea of providing a stable income with a minimum of risk.

**Book Entry** - Electronic record of ownership of Treasury and agency securities, as opposed to receipt of a security's certificate.

**Book Value** - A value computed by subtracting the total liabilities from the value of all assets on the balance sheet, then dividing by the number of common shares. This is an accounting term that has no relation to the securities market value.

**Bond Equivalent Yield -** Discount securities, like Treasury bills, are quoted on a bank discount basis. But the discount basis is not a yield, and so cannot be compared to yields of other instruments. The bond equivalent yield converts the price implied by the discount basis into a yield which is directly comparable to that of other investments.

**Breadth of the Market** - A measurement of the number of issues that advance or decline on a particular trading day.

**Breakpoint** - A purchase of shares in an open-end investment company mutual fund that is large enough to entitle the buyer to a lower sales charge. A series of breakpoints is established by the fund, at each of which the charge is reduced.

**Broker** - (1) An individual who buys or sells securities for customers (a stockbroker). (2) On an exchange, one who executes public orders on an agency basis (a floor broker or commission house broker). (3) As a slang term, a firm that executes orders for others (a brokerage firm).

**Brokerage Firm** - A partnership or corporation that is in business to provide security services for a general marketplace.

**Bull Market** - A market in which prices are generally rising.

**Bullish** - Term used to describe rising security prices.

**Business Day** - A day on which the exchanges are open for business.

**Buy-In** - When the seller of a security fails to deliver the security, the buyer purchases the security on the open market and charges any loss to the seller's account.

**Buy/Write** - An advanced option order that combines the purchase of an equity and the sale of a call option on the same underlying security.

**Buyer's Option (Contract)** - A settlement that calls for delivery and payment according to the number of days specified by the buyer.

**Buying Power** - In a margin account, the maximum dollar amount of securities that the client can purchase or sell short without having to deposit additional funds.

**Call (Option)** - The buyer of an equity call option purchases the right to buy 100 shares of the underlying stock at the stated exercise price. Thus, the buyer of one XYZ June 110 call option has the right to purchase 100 shares of XYZ at $110 up until June expiration. Each individual option with a distinctive trading month and strike price is an "option series." The XYZ June 110 calls would be an individual series. An option that permits the owner to buy a contracted amount of underlying security at a set price (strike or exercise) for a predetermined period of time (up to the expiration date).

**Call Date** - The date on which and after which selected issues of Treasury bonds can be redeemed before maturity.

**Call Protection** - The degree of security that an investor has against a bond being redeemed. Practically, the number of years between today and the call date.

**Call Spread** - Client buys a call and sells a call on the same security but with different expiration dates, different exercise prices, or both.

**Callable** - A securities feature that allows the issuer to retire the issue when desired. Should the issue be called, the issuer usually pays a premium.

**Callable Bonds** - Treasury bonds that can be redeemed by Uncle Sam five years before maturity.

**Capital Gain** - A trading profit. Trading gains that occur in one year or less are short-term capital gains; those that occur in periods longer than one year are long-term capital gains. Short-term and long-term capital gains are treated differently for tax purposes.

**Capital Loss** - A trading loss. Losses are long- or short-term as are gains. See Capital Gain.

**Capital Stock** - The common and preferred stock of a company.

**Capitalization** - The total dollar value of all common stock, preferred stock, and bonds issued by a corporation.

**Cash Account** - A  customer account in which all securities purchased must be paid for in full.

**Cash Dividend** - Dividends that corporations pay on a per-share basis to stockholders from their earnings.

**Cash Flow** - Amount of total payments, interest and occasionally principal received as current income from Treasury and agency securities.

**Cash Transaction** - A settlement on the same day as the trade date.

**Cashiering Department** - Brokerage firm department that is responsible for receiving and delivering securities and money to and from other firms and clients.

**CBOE** - See Chicago Board Options Exchange.

**CBT** - See Chicago Board of Trade.

**CD** - CD’s are Certificates of Deposit savings vehicles that offer set interest rates for a fixed period of time. The investor makes a one-time investment and earn interest until the CD's term is up and the principal is returned. CD’s are insured by the FDIC (Federal Deposit Insurance Corporation) for up to $100,000 per institution. CDs may not be withdrawn prior to maturity. The market value of the CDs will fluctuate so that your CD, if sold prior to maturity, may be worth more or less than its original cost. Additionally, liquidity in the secondary market can be limited. If you die or are declared incompetent by a court, your heirs or beneficiaries can redeem the CD prior to its maturity without penalty.

**Certificate** - The physical document evidencing ownership (a share of stock) or debt (a bond).

**Certificate of Deposit (CD)** - A negotiable certificate that evidences a time deposit of funds with a bank.

**Chicago Board Options Exchange (CBOE)** - Listed option trading was originated by this marketplace on April 26, 1973.

**Chicago Board of Trade (CBT)** - A major commodity exchange located 141 East Jackson Boulevard, Chicago IL.

**Class** - Options of the same type — all calls or all puts on the same security.

**Clearing Corporations** - A central reception and distribution center operated for its members who are made up of various brokerage firms. Many offer automated systems that expedite comparison procedures. Among these are NSCC (National Securities Clearing Corp.) and OCC (Options Clearing Corporation).

**Clearing House Comparison (CHC)** - A form used to submit trades to NSCC that have missed the normal entry methods. Such trades enter the system on the third business day of the trade cycle.

**Cliffing** - A strategy for arranging bonds so that they all mature in the same year.

**Close** - Price of the last transaction of a security on a particular trading day.

**Closed End Fund** - A fund whose offering of shares is closed. That is, once the initial offering is completed, the fund stops offering its shares. The value of the shares is then determined by supply and demand, rather than by calculation of net asset value.

**Closing Transaction** - The transaction executed to close an option contract. The holder would sell to close while the writer would buy to close.

**Collars -** Sometimes referred to as "Costless Collars" or "Cash-Settled Collars", option collars are positions that enable the investor to achieve income and price protection by selling a call option and buying a put option at the same time, both against the same underlying security. The effects of option collars are that the investor can achieve a net income (the sale of the call generates more cash than the cost of the put), lock in the gains of the underlying security position (the put option provides downside protection much like an insurance policy), and release equity that can be used for other investments.

**Collateral** - An asset pledged to support a loan.

**Collateral Trust Bond** - A debt instrument issued by one corporation and backed by the securities of another corporation.

**Combination** - A position long or short different types of options on the same stock with different strike prices and/or expiration dates.

**Combination Order** - In listed options trading, an order to simultaneously buy a call and sell a put or to buy a put and sell a call on the same underlying security. Also called a Combo Order.

**Commercial Paper** - A short-term debt instrument issued by corporations. Its rate of interest is set at issuance and can be realized only if held to maturity.

**Commission** - The amount charged by a firm on an agency transaction.

**Commission House Broker** - A floor broker who is employed by a brokerage house to execute orders on the exchange floor for the firm and its customers.

**Common Stock** - Common Stock are securities representing equity ownership in a corporation. They provide voting rights, and entitle the holder to a share of the company's success through dividends and/or capital appreciation. In the event of liquidation, common shareholders have rights to a company's assets only after bondholders, other debt holders, and preferred shareholders have been satisfied. Typically, common shareholders receive one vote per share to elect the company's board of directors (although the number of votes is not always directly proportional to the number of shares owned). The board of directors is the group of individuals that represents the owners of the corporation and oversees major decisions for the company. Common shareholders also receive voting rights regarding other company matters such as stock splits, and company objectives. In addition to voting rights, common shareholders sometimes enjoy what are called "preemptive rights". Preemptive rights allow common shareholders to maintain their proportional ownership in the company in the event that the company issues another offering of stock. This means that common shareholders with preemptive rights have the right but not the obligation to purchase as many new shares of the stock as it would take to maintain their proportional ownership in the company. A security, issued in shares, that represents ownership of a corporation. Common stockholders may vote for the management and receive dividends after all other obligations of the corporation are satisfied.

**Comparison** - The process by which two contra brokerage firms in a trade agree to the terms of the transaction. Comparison can be either through a clearing corporation or on a trade-for-trade basis (that is, ex the clearing corporation).

**Competitive Tender** - A method of purchasing new issues of Treasury bills, notes, and bonds in which the investor specifies the yield, and accordingly the price, he or she requires to purchase the security.

**Concession** - The fee paid to certain dealers who are members of the selling group of a securities underwriting syndicate.

**Confirmation** - A trade notice, issued to customers of brokerage firms, that serves as written notice of the trade, giving price, security description, settlement money, trade and settlement dates, plus other pertinent information.

**Consent to Loan Agreement** - An agreement margin customers must sign to authorize the brokerage firm to lend the customer’s securities to itself or other firms.

**Consideration** - The money value of a transaction (number of shares multiplied by the price) before adding commission.

**Constant-Dollar Investment** - Securities such as savings accounts and money market funds that do not fluctuate in price.

**Contractual Plan** - A type of accumulation plan in which an investor in mutual funds makes a firm commitment to invest a given amount of money over a given time.

**Control Persons** - A director, officer or other affiliate of the issuer or a stockholder who owns at least 10% of any class of outstanding stock.

**Control Securities** - Securities owned by one of those parties mentioned in Control Person.

**Conversion Premium** - Refers to the percentage above parity at which the convertible security is trading. Conversion Premium is calculated as follows:

$$\frac{\text{(Convertible Price - Conversion Value)}}{\text{Conversion Value}}$$

**Conversion Ratio** - Issue price of the convertible divided by the conversion price.

**Conversion Value or Parity** - Number of common shares per convertible (conversion ratio) multiplied by the current price of the common stock.

**Convertible Issue (Bond)** - A securities feature that permits the issue holder to convert to another issue, usually common stock. Convertible bonds, for example, are bonds that are convertible into a specified number of shares at the holders discretion. Usually, but not always, these underlying shares are issued by the same entity that issued the convertible. So, when the stock rises, the convertible price rises in tandem and the convertible bond becomes an “equity equivalent". On the other hand, when the stock tumbles, the convertible becomes equivalent to a normal bond and its price tends to decline at a slower rate. The preferred stock or bond holder can convert from that issue to another, but not back. This privilege can be used only once.

**Convertible Preferred Stock** - A preferred stock that may be converted into common stock of the same company at specific prices or rates.

**Convertible Zero** - As it applies to the Treasury sector, a stripped Treasury zero that converts into a current income obligation five years before maturity.

**Convexity** - Measure of the curvature of the price-yield relationship of a fixed-income security. Any fixed-income security with known cash flows has positive convexity.

**Cooling-Off Period** - The period, usually 20 days, between the filing of the registration statement on a new issue with the SEC and the effective date of the offering.

**Co-Partnership Account** - An account in which the individuals may act on behalf of the partnership as a whole.

**Corporation** - A business organization under the law with certain rights and responsibilities in which the worth is divided into shares of stock.

**Corporate Resolution** - A document stating that the corporation’s board of directors has authorized a particular individual to act on behalf of the corporation. This document is necessary when the corporation opens a cash or margin account.

**Coupon** - (1) On Bearer Stocks, the detachable part of the certificate exchangeable for dividends. (2) Denotes the rate of interest on a fixed interest security - a 10% coupon pays interest of 10% a year on the nominal value of the stock.

**Coupon Yield** - Also called nominal yield. A bond’s coupon payment divided by par value.

**Cover** - The total net profit a company has available for distribution as dividend, divided by the amount actually paid gives the number of times that the dividend is covered.

**Covered Call** - A call option that is sold against stock owned by the writer of the call.

**Covered Put** - A put option that is sold by the owner of a put of the same class with an equal or longer expiration date and an equal or higher exercise price.

**Credit Agreement** - Outlines the conditions of credit arrangement between the broker and customer concerning a margin account.

**Credit Balance** - The funds available to a client in a cash or margin account. In a short sale, this balance represents the customer’s liability.

**Cumulative Preferred** - A preferred stock feature that entitles the holder to the later payment of dividends that were not paid when due. The dividends are, in this sense, "cumulative." The dividends accumulate and must be paid (along with present dividends) before common stockholders may receive any dividends.

**Current Income** - Cash-in-hand payments received from interest and dividends.

**Current Maturity** - The number of years until a bond matures, regardless of its original maturity when issued.

**Current Yield** - A bond’s coupon payment divided by its market price.

**CUSIP** (The Committee on Uniform Security Identification Procedure) - An inter-industry security coding service. Each type of security has its own unique CUSIP number.

**Custodian** - The person or institution responsible for protecting the property of another.

**Customer (Account) Statement** - Sometimes referred to as month-end statement. This is a statement of the customer’s positions and activity. It must be sent out quarterly, but if there is monthly activity in the account, it is sent out monthly.

**Dated Date** - The first day that interest starts to accrue on newly issued bonds.

**Day Order** - An order that, if not executed on the day it is entered, expires at the close of that day’s trading.

**Day Trade** - The buying and selling of the same security on the same day.

**DBO** - See Delivery Balance Order.

**Dealer** - A firm that functions as a market maker and that, as such, positions the security to buy and sell versus the public and/or brokerage community.

**Debentures -** Debentures are unsecured bonds are backed by the full faith of the corporation who issued the bonds. Typically issued by the largest corporations these bonds are senior (see bond terms at end of this section) to preferred and common stock, but may be subordinate to secured bonds discussed below.

**Debit Balance** - The amount of loan in a margin account.

**Deed of Trust** - The trust agreement drawn up when a corporation plans to issue bonds or other debt securities. It includes such items as assets, interest payments, maturity dates, etc. Also, see indenture.

**Default** - An issuer’s failure to pay accreted interest when a zero coupon issue matures. Treasury securities are considered default-free.

**Deferred Annuity** - An annuity plan in which payments are to be made at some set date in the future.

**Delivery Balance Order (DBO)** - An order issued by the clearing corporation to any firm that, after the day's trades are netted, has delivery or sale position remaining. The order defines what is to be delivered to whom.

**Delivery Versus Payment (DVP)** - Settlement of security transactions used by institutional customers. Certificates are delivered to a bank designated by the customer whereupon the bank makes payment on delivery.

**Depository** - A central location for keeping securities on deposit.

**Depository Trust Company (DTC)** - A corporation, owned by banks and brokerage firms, that holds securities, arranges for their receipt and delivery, and arranges for the payments in settlement.

**Derivative Zeros** - Zero coupon bonds created by stripping coupon and principal payments from a U.S. Treasury Security.

**Designated Order Turnaround (DOT)** - An order routing and execution reporting system of the NYSE.

**Diagonal Spread** - A spread of the same class of options but with different exercise prices and different expiration dates.

**Differential** - The fraction of a point added to the purchase price or subtracted from the sale price of odd lot orders. The charge represents compensation to the dealer/specialist for executing the odd lot order.

**Director** - A corporate board member elected by stockholders.

**Discount Basis -** Discount basis refers to the practice of quoting a security in terms of a discount from its par value. For example, a discount of 5% means 100% - 5% = 95%. In this case 95 would be the quoted dollar price of this discount security. Discount securities are non-interest-bearing money market instruments that are issued and traded on a discount basis. They are quoted using either an Actual/360 or an Actual/365 day count convention. Discount securities include U.S. Treasury bills, commercial paper, and banker's acceptances (BA's).

**Discount** - When the market price of a newly issued security is lower than the issue price.

**Discretionary Account** - A client account in which the account executive is permitted to buy and sell securities for the client without the client's prior permission. The opening of such an account requires the special permission of the firm's management.

**District Business Conduct Committee (DBCC)** - Part of the NASD that investigates, reviews, and renders a verdict on customer complaints or other industry improprieties.

**Dividends** - A taxable payment declared by a company's board of directors and given to its shareholders out of the company's current or retained earnings, usually quarterly. Dividends are usually given as cash (cash dividend ), but they can also take the form of stock (stock dividend or other property. Dividends provide an incentive to own stock in stable companies even if they are not experiencing much growth. Companies are not required to pay dividends. The companies that offer dividends are most often companies that have progressed beyond the growth phase, and no longer benefit sufficiently by reinvesting their profits, so they usually choose to pay them out to their shareholders.

**Dollar Cost Averaging** - An investment method used in mutual funds by which clients invest the same dollar amount periodically. Because mutual funds permit the buying of fractional shares, all of the investor's payment is used in the acquisition of fund shares.

**Dollar-Denominated** - Foreign securities that pay interest and principal in U.S. dollars.

**Double Barreled Bonds -** Tax exempt bonds which are backed by a pledge of two or more sources. These are quite like general obligation bonds which are additionally backed by a second source of revenue. This usually increases their safety. Municipal Notes are short term debt instruments issued by state and local authorities. Their maturities run from about 60 days to one year. They are usually available in denominations of about $25,000. A municipality uses this type of financing as an interim step in anticipation of future revenue.

**Double Taxation** - Corporations pay taxes on revenue before paying dividends. The dividends, in the hands of the stockholder, are taxed again as ordinary income. Hence "double" taxation.

**Dow Jones Industrial Average (DJIA) -** The most widely quoted of all the market indicators. It tracks the prices of 30 actively traded large-company stocks on the New York Stock Exchange and generalizes its findings to the market as a whole.

**Downstairs Trader** - A trader who operates on the floor of an exchange and who "trades" positions against the public market. See also Upstairs Trader.

**Downtick** - A listed equity trade whose price is lower than that of the last different sale.

**DNR (Do Not Reduce)** - An instruction that informs the order handling personnel not to reduce the price of the order by the amount of dividends, if and when paid by the corporation. DNR is placed on buy limit, sell stop and sell stop limit GTC orders.

**Due Diligence Meeting** - The last meeting between corporate officials and underwriters prior to the issuance of the security. At the meeting, the content of the prospectus is discussed, and relevant parts of the underwriting are put into place.

**Earnings Per Share (EPS)** - Net income divided by the number of shares of common stock outstanding.

**Earnings Report** - A corporate financial statement that reports and nets out all earning and expenses to a profit or loss. It is therefore sometimes referred to as the profit and loss (P&L) statement.

**EE Savings Bond** - A zero coupon bond issued directly by the Treasury in par values ranging from $5 to $10,000. Purchased at half of par, EE savings bonds mature in 12 years and are eligible for extended maturity.

**Effective Date** - The first date after the cooling-off period of a new issue that the security can be offered.

**Endorsement** - Signature on the back of a stock certificate of the person whose name appears on the face of the same. Makes the certificate negotiable.

**Equipment Trust Bonds** - Debt instruments that are issued by some corporations that are backed by "rolling stock" (such as airplanes or locomotives and freight cars).

**Equity** - The portion in an account that reflects the customer's ownership interest.

**Eurobonds** - A long-term loan issued in a currency other than that of the country or market in which it is issued. Interest is paid without the deduction of tax.

**Eurodollar CDs** - Certificates of deposit held in U.S. dollars by European, British, and Eastern depository institutions and available to U.S. investors.

**Excess Equity** - Equity in a margin account above that which is required by Regulation T.

**Ex-Dividend Date** - The first day on which the purchaser of the security is not entitled to the dividend. It is also the day that the price of the security drops to the next highest fraction of the dividend amount.

**Execution Broker ($2.00 Broker)** - Broker who owns memberships on various exchanges and executes trades on the exchanges for other brokers — execution only services on listed exchanges. The name of the clearing broker is "given up" when each trade is executed to industry clearance facilities and the trade is reported back to the introducing firm for the customer and street side processing. The charge for this service used to be $2.00 — thus the name "$2.00 Broker."

**Executor** - A person appointed by the last will of the deceased to carry out the provisions of the will.

**Exercise Price** - The price per share the holder or owner of a call option would pay to buy the stock from the writer or the price the holder would receive should he sell the stock to the writer when exercising an option. See also Strike Price.

**Expiration** - The day on which an option contract becomes void.

**Expiration Month** - The month in which an option or futures contract ceases to exist (expires).

**Ex-Rights Date** - The date after which stocks are traded without subscription rights.

**Extended Maturity** - A provision whereby a bond continues to pay interest beyond its stated maturity.

**Ex-Warrants Date** - The date after which stocks are traded without buyers being entitled to warrants which are to be distributed.

**Face Value** - The debt (or loan) amount that appears on the face of the certificate and that the issuer must pay at maturity.

**Factor** - A decimal between 0 and 1 that represents the amount of mortgages remaining in a pool of mortgage-backed securities.

**Factor Book** - A tabular presentation that shows relevant information about factors, value of remaining mortgages, and interest rates on mortgage-backed securities.

**Factor Table** - A table used to compute the outstanding principal on Pass-Throughs — Ginnie Maes

**Fannie Mae** - Nickname for the Federal National Mortgage Association and the mortgage-backed securities it issues.

**Farmer Mac** - Nickname for the Federal Agricultural Corporation and the securities it issues.

**Federal Farm Credit System** - Established by Congress to provide credit to farms and farm-related enterprises. The FFCS is also an issuer of agency securities.

**Federal Reserve Board** - The government agency that regulates credit.

**Federal Reserve System** - The nation's central monetary authority and the Treasury Department's agent for selling new issues of Treasury bills, notes, and bonds.

**FHA** - Abbreviation for the Federal Housing Administration. The FHA is also an issuer of agency securities.

**FHA Experience** - An estimate of the average life of a pool of mortgage-backed securities in relation to experience tables developed by the Federal Housing Administration.

**Fiduciary** - A person legally appointed in the P&S department.

**Fill or Kill (FOK)** - An order that requires execution of the entire quantity immediately. If not, the order is canceled.

**Final Dividend** - The dividend paid by a company at the end of its financial year, recommended by the directors but authorized by the shareholders at the company's annual general meeting.

**Financing Corporation** - An agency created to assist the S&L industry by retailing securities to the public. Also the nickname for its securities.

**Fiscal Agent** - The authority who is responsible for issuing new securities of federal agencies.

**Fiscal Year** - The twelve-month period during which a business maintains its financial records. Since this cycle does not have to coincide with the calendar year, it is known as the fiscal year.

**Fixed Annuity** - Insurance company guarantees dollar amount of payments to the annuitant for the period covered under the contract.

**Flat** - A bond trading without accrued interest is said to be trading "flat."

**Floor Broker** - An exchange member who, as such, is permitted to conduct business on the exchange floor.

**Flotation** - The occasion on which a company's shares are offered on the market for the first time.

**Flower Bond** - A specially identified series of Treasury bonds accepted at full par in payment of estate taxes.

**FOK** - See Fill Or Kill.

**Fourth Market** - Trading directly between institutional investors on a system named Instinet.

**Freddie Mac** - Nickname for the Federal Home Mortgage Association and the mortgage-backed securities it issues.

**Free Stock** - Loanable securities; that is, securities that can be used for loan or hypothecation. These securities are stock in a margin account that represents the debit balance.

**Frozen Account** - An account in which all purchases must be paid for in cash in advance for a period of 90 days because of failure to make timely or proper payment in the past.

**FT Index** - Refers to the Financial Times Industrial Ordinary Share Index, also known as the "30 Share Index." This started in 1935 at 100, and is based on the prices of 30 leading industrial and commercial shares. They are chosen to be representative of British industry, rather than of the Exchange. Government stocks, banks and insurance companies are not included. The Index is calculated hourly during the day with a "closing index" at 4:30 p.m.

**FT-SE 100 Share Index** - Popularly known as "Footsie"; an index of 100 leading UK shares listed on the London Stock Exchange providing a minute-by-minute picture of how share prices are moving. It started on January 3, 1984 with the base number of 1,000. Also forms the basis of a contract in the London Traded Options Market (LTOM) and the London International Financial Futures Exchange (LIFFE).

**FT-SE Eurotrack 200 Index** - Denominated in ECUs, this comprises the stocks of the FT-SE 100 Index plus the constituents of the FT-SE Eurotrack 100 Index. The UK component is weighted to ensure that the 200 Index closely tracks the major benchmark indices. It started on Monday, February 25, 1991 with a base value of 1,000 as at close of business on Friday, October 26, 1990.

**Full Trading Authorization** - Owner of the account gives power to another person to buy, sell and make withdrawals from the account.

**Fully Disclosed** - All customer accounts of the Introducing Broker are introduced to another Broker/Dealer who clears the customers' trades. This second broker is called a Clearing Broker. The names and addresses of the customer accounts are "fully disclosed" to the Clearing Broker whose name is also disclosed to the customers on the statements and confirmations. The Clearing Broker does all the bookkeeping involved in settling the trades and keeping the customer accounts in proper form.

**Fully Paid** - Applied to new issues, when the total amount payable in relation to the new shares has been paid to the company.

**Fund Exchange** - Ability to shift a mutual fund investment from one fund to another sponsored by the same mutual fund family.

**Fund Family** - An investment management company that offers several types of mutual funds.

**Gearing** - A company's debts expressed as a percentage of its equity capital. High gearing means debts are high in relation to equity capital.

**General Obligation (GO) Bond** – Bond that are backed by the full faith and credit of the issuer for prompt payment of principal and interest. Many bonds issued by city, county, or school district, also have the added security that they have can raise property taxes to assure payment. This guarantee is of an unlimited nature. If the property tax is not paid, the property can be sold at auction giving the bond holder a superior claim above mortgages, mechanical liens, and other encumbrances. General Obligation bonds are usually analyzed in terms of the size of the taxable resources. These bonds are regarded as very safe.

**Ginnie Mae** - Nickname for the Government National Mortgage Association (GNMA) and the mortgage-backed securities it issues. See Government National Mortgage Association.

**Good Delivery** - Securities delivered to the broker from the seller that are properly endorsed and in proper order to be delivered to the buyer.

**Good-Till-Canceled (open) Order (GTC)** - An order that does not expire at the end of the day it is entered. Instead, it remains in force until it is either executed or canceled. Ameritrade cancels all GTC orders at the end of the next month after the order has been placed.

**Government Bond** - Debt security issued by the U.S. Government.

**Government National Mortgage Association (GNMA)** - A government corporation that provides primary mortgages through bond issuances. Its securities are called Ginnie Maes.

**Growth Stock** - Stock of a company in a new industry or of a company participating in an emerging industry.

**GTC** - See Good-till-Canceled (Open) Order.

**Guardian** - Someone who manages securities in a minor's account or someone who handles the affairs of an incompetent person.

**Hedge** - To reduce the risk in one security by taking an offsetting position in a related security.

**Hedged Options -** Hedged options refers to a non-directional option position in which there is an equal buy position for every sell position.

**HH Savings Bonds** - A savings bond that pays semiannual coupon interest, unlike EE savings bonds.

**House Maintenance Call** - Demand to the customer for additional funds from the brokerage firm because the equity in the customer's margin account has fallen below the minimum amount allowed by the firm.

**House Requirement** - The minimum amount of equity brokerage firms require margin clients to maintain in the account.

**Housing Bonds -** Housing bonds are issued by both state and local governments. They are secured by mortgage repayments on single family homes. Added protections come from, federal subsidies for low income families, FHA insurance, VA guarantees, and private mortgage insurance. PHA', which are Public Housing Authority issues are no longer available. However, some do trade in the secondary market. PHA's are backed by the full faith and credit of the U.S. government.

**Hypothecation** - A brokerage firm's pledging of margin securities at a bank to secure the funds necessary to carry an account's debit balance.

**Immediate-or-Cancel (IOC)** - An instruction on an order that requires execution of as many lots as can be filled immediately, and the rest canceled.

**Income Bonds** - Bonds issued when the ability of the issuing company to pay interest is questioned. They are speculative instruments that pay high rates of interest. These bonds will only pay interest if earned and to the extent earned. Income bonds are the only bonds which are issued where failure to pay the interest in a timely fashion does not lead to immediate default. Usually, these bonds are issued by a company in bankruptcy.

**Income Stream** - A strategy of arranging bonds so that they produce a consistent series of payments.

**Indenture** - The terms of a corporate bond. Also known as deed of trust, it appears on the face of the bond certificate. The indenture contains the following information: The duties and obligations of the trustee (usually a bank or trust company hired by the corporation), all the rights of the lender (the bondholder), how and when the principal will be repaid, the rate of interest, the description of any property to be pledged as collateral, steps the bondholder can take in the event of default, and callable features.

**Index Funds -** A fund that tries to match the same securities that are in a given index. Index funds require little to no active management. In most cases, computer-trading software dictates the portfolio allocation to match the chosen index. Buying and selling is infrequent because market indexes do not add or replace securities very often. As a result, portfolio turnover and management expenses are low. Some commonly used indexes include the S&P 500, Wilshire 5000, the S&P Midcap 400, the Russell 2000 and Lehman Brothers Aggregate Bond Index.

**Industrial Revenue (ID Revenue, ID Revs, or Industrial Rev) Bond** - A form of municipal bond whose issuer's ability to pay interest and principal is based on revenue earned from an industrial complex. The money raised from this type of bond issue is used to pay for the construction of the new facilities. The facilities are then leased to the corporate guarantor. The safety of an Industrial Revenue bond depends on the credit worthiness of the corporate guarantor.

**Initial Public Offering (IPO)** – A process whereby a private company offers shares to the general public through formal registration.
**Insider** - Person with nonpublic information on a corporation. Directors, officers and stockholders owning more than 10% of any one class of stock are usually considered insiders.

**Insider Dealing** - The purchase or sale of shares by someone who possesses "inside" information about the company; i.e., information on the company's performance and prospects which has not yet been made available to the market as a whole and which, if available, might affect the share price.

**Interest Rate Options -** European-style, cash-settled options on the yield of U.S. Treasury securities. These options give the investor an opportunity to invest based upon the investor's views of the direction of interest rates.

**Interest Rate Risk** - The prospect that Treasury and agency securities will decline in price if economy-wide interest rates rise.

**Interim Dividend** - A dividend declared part way through a company's financial year, authorized solely by the directors.

**Intermediate-Term Bonds** - Those maturing five to ten years after original issue.

**In-The-Money** - Used to describe options that the holder would profit from exercising. Call options are in-the-money when the underlying security's value is greater than the option's strike price. Put options are in-the-money when the underlying security's value is less than the option's strike price.

**Investment Banker** - See underwriter.

**Investment Trust** - Company whose sole business consists of buying, selling and holding shares.

**IRA** - Individual Retirement Accounts - a tax-deferred retirement plan created by the U.S. government.

**Issue** - (1) The process by which a new security is brought to market. (2) Any security.

**Issue Date** - The first day a fixed income security begins accruing interest. Most issues have issue dates that occur on a six month anniversary date of maturity. But some bonds are issued on odd dates. These odd-first coupon bonds pay a different coupon amount during their first coupon period.

**Issued Stock** - Stock sold to the public.

**Joint Account** - An account with two or more individuals acting as co-owners.

**Joint Tenants with Rights of Survivorship (JTWROS)** - A joint account which allows the remaining tenant(s) to retain the deceased tenant's interest in the account.

**Keogh Plan** - Tax-deferred retirement plan for a self-employed and unincorporated person or a person who has earned extra income aside from regular employment through personal services.

**Legal Transfer** - A type of transfer that requires legal documentation in addition to the normal forms. Usually in the name of a deceased person, a trust, or other third party.

**Letter of Renunciation** - This applies to a rights issue and is the form attached to an Allotment Letter which is completed should the original holder wish to pass his entitlement to someone else or to renounce his rights absolutely.

**Liability** - Any claim against the corporation, including accounts payable, salaries payable, and bonds.

**Limit** - In relation to dealing instructions, a restriction set on an order to buy or sell, specifying the minimum selling or maximum buying price.

**Limit Order** - Sets the highest price the customer is willing to pay for a buy order, or the lowest price the customer is willing to accept for a sell order. Buy orders may be executed at or below the limit price, but never higher. Sell orders may be executed at or above the limit price, but never lower.

**Limited Tax Bond** - A municipal bond whose ability to pay back principal and interest is based on special tax.

**Limited Trading Authorization** - An account in which the customer gives the power to buy and sell only in his account to another person.

**Liquidation** - (1) Closing out a position. (2) An action taken by the margin department when a client hasn't paid for a purchase.

**Liquidity** - The characteristic of a market that enables investors to buy and sell securities easily.

**Limited and Special Tax Bonds -** Bonds payable from a pledge of the proceeds against a specific tax. This tax could be a gasoline tax, a special assessment, or ad valorem tax levied at a fixed price. Unlike General Obligation bonds and their unlimited ability to raise taxes, with these bonds, the issuer is limited as to its source for the revenue to pay the bonds. These bonds are quite safe.

**Listed Options** - An option that trades on a national option exchange.

**Listed Securities** - Securities that trade on a national exchange.

**Listed Stock** - Stock that has qualified for trading on an exchange.

**Load** - The sales charge on the purchase of the shares of some open-end mutual funds.

**Loan Consent Agreement** - An agreement whereby the customer gives the brokerage firm permission to lend his securities.

**Loan Market Value** - Value of securities in customer's account.

**Loan Stock** - Stock bearing a fixed rate of interest. Unlike a Debenture, loan stocks may be unsecured.

**Loan Value** - The amount of money, expressed as a percentage of market value, that the customer may borrow from the firm.

**Long Position** - (1) In a customer's account, securities that are either fully paid for (a cash account) or partially paid for (a margin account). (2) Any position on the firm's security records that has a debit balance.

**Long-Term Bonds** - Bonds that mature in more than ten years.

**Maintenance Call** - See House Maintenance Call.

**Make a Market** - Refers to brokerage firms that buy and sell a particular over-the-counter stock for their own accounts at their own risk.

**Management Company** - The group of individuals responsible for managing a mutual fund's portfolio.

**Margin** - Purchasing Treasury and agency securities with money borrowed from a bank or brokerage.

**Margin Account** - An account in which the firm lends the customer money on purchases or securities on short sales. Customers must have enough equity in the account to pay for purchases by the third business day after trade or meet obligations that may be incurred immediately.

**Margin Call** - A demand upon a customer to deposit money or securities with the broker when the value of the securities purchased on margin falls.

**Margin Department** - The department of a brokerage firm that computes the balance their clients need to keep in order to avoid maintenance and margin calls.

**Margin Requirement** - The percentage of investment that may be financed using borrowed capital.

**Mark-to-Market** - Process by which security position values are brought up to their current value. The customer may request the excess equity, or the firm may call for the deposit of additional funds. Either request is a "mark" to the market.

**Market Maker** - Another term for dealer or specialist. In the interest of maintaining orderly trading, a market maker stands ready to trade against the public and therefore to make a market in an issue.

**Market Not Held** - Type of market order usually for a sizable amount of stock that gives the floor broker discretion with respect to price and/or timing on execution.

**Market Order** - An order to be executed at the current market price. Buy market orders accept the current offer, and sell market orders accept the current bid.

**Marry a Put** - Form of hedging done by buying the stock and buying a put on the same day.

**Maturity** - The date on which a loan becomes due and payable — when bonds and other debt instruments must be repaid.

**Member** - An individual who owns a membership (a seat) on an exchange.

**Member Firm** - A partnership or corporation that owns a membership on an exchange.

**Merger** - The combination of two or more companies into one through the exchange of stock.

**Mini-refunding** - Auctions of Treasury securities occurring in March, June, September, and December.

**Minimum Maintenance** - Established by the exchanges' margin rules, the level to which the equity in an account may fall before the client must deposit additional equity. It is expressed as a percentage relationship between debit balance and equity or between market value and equity.

**Minus Tick** - An execution price below the previous sale.

**Money Market Fund** - A type of mutual fund that specializes in securities of the money market, such as T bills and commercial paper.

**Money Market Instruments** - Short-term debt instruments (such as U.S. Treasury bills, commercial paper, and banker's acceptances) that reflect current interest rates and that, because of their short life, do not respond to interest rate changes as longer-term instruments do.

**Mortgage-Backed Securities** - A collection of mortgages bundled into a single security and retailed to private or institutional investors as a single security.

**Mortgage Bond** - A debt instrument issued by a corporation and secured by real estate owned by the corporation (such as factories or office buildings). The real assets pledged will have a market value greater than the bond issue. If the company defaults on the bonds, the real assets are sold off to pay off the mortgage bond holders. There are two different types of mortgage bonds. There are open end and closed end mortgage bonds. If the mortgage bonds you bought are secured with closed end assets, the assets which were pledged can only be sold off to pay off your bond issue. However, if the mortgage bond you bought was pledged with open end assets, those assets may also be pledged against other bond issues. In case of a default, the bond holders from other issues will have equal claim to those assets.

**Muni** - Short for municipal bond.

**Municipal Bond** - A long-term debt instrument issued by a state or local government. It usually carries a fixed rate of interest, which is paid semiannually. Municipal bond interest is exempt from federal tax, and in some case from state tax.

**Municipal Note** - A short-term debt instrument of a state or local government. Most popular are revenue, bond, and tax anticipation notes.

**Municipal Securities Rule Making Board (MSRB)** - Establishes rules and regulations to be followed in the trading, dealings and customer relationships concerned in municipal securities.

**Mutual Fund** - A pooling of many investors' money for specific investment purposes. The fund is managed by a management company, which is responsible for adhering to the purpose of the fund. The combined holdings of stocks, bonds or other assets the fund owns are known as its *portfolio*. Each investor in the fund owns shares, which represent a part of these holdings. Unlike individual stocks, whose value fluctuates minute by minute, mutual funds are priced at the end of each day the market is open, based on what the securities in the portfolio are worth. The price per share, or net asset value (NAV), of a mutual fund is the current market value of the fund's net assets divided by the number of shares outstanding. Investors buy and sell shares in the fund based on its NAV as of the next market close.

**Naked Call** - Occurs when an investor sells a call(s) without owning the underlying securities and is not selling to close out a position.

**NASD (National Association of Security Dealers)** - A self-regulating authority whose jurisdiction includes the over-the-counter market.

**NASDAQ (National Association of Securities Dealers Automated Quote System)** - A communication network used to store and access quotations for qualified over-the-counter securities.

**National Association of Security Dealers (NASD)** - A self-regulating authority whose jurisdiction includes the over-the-counter market.

**National Association of Security Dealers Automated Quotation Service (NASDAQ)** - A communication network used to store and access quotations for qualified over-the-counter securities.

**National Securities Clearing Corporation (NSCC)** - A major clearing corporation offering many services to the brokerage community, including comparison of NYSE, AMEX, and over-the-counter transactions.

**Negotiable** - A feature of a security that enables the owner to transfer ownership or title. A non-negotiable instrument has no value.

**Net Asset Value (NAV)** - The dollar value of an open-end fund divided by the number of outstanding fund shares. In an open-end fund quote, the NAV is the bid side; the offer side is the NAV plus the sales charge.

**"Net Selling of Time Premium" -** An option strategy in which the investor combines both purchased and sold options, usually with different striking prices and time periods, in a strategy to sell more "time premium" than is purchased. Market direction is not considered when initiating the transactions, and the strategy takes advantage of option speculators who are willing to pay high premiums for time value.

**New Issue** - A company coming to the market for the first time or issuing additional shares.

**New Shares** - Shares newly issued by a company; these shares can usually be transferred on Renounceable Documents.

**New York Stock Exchange (NYSE)** - Located at 11 Wall Street, New York, New York, a primary market for buying and selling the securities of major corporations.

**Nil Paid** - A new issue of shares, usually as the result of a rights issue on which no payment has yet been made.

**No-Load Fund** - An open-end fund that does not impose a sales charge on customers who buy their shares.

**Nominal Yield** - The interest rate stated on the face of the bond. This is also referred to as the Coupon Rate. A $1,000 corporate bond with a stated interest rate (Nominal Yield) of 10%, will pay $100 per year in interest. The interest will be paid in two $50 payments (semi-annual).

**Nominee Name** - Name in which a security is registered and held in trust on behalf of the beneficial owner.

**Noncallable** - A note or bond that cannot be called prior to maturity. Many Treasury and most agency securities are noncallable.

**Noncompetitive Tender** - A method of purchasing Treasury bills, notes, and bonds directly from the Federal Reserve at the average price during an auction of new securities.

**Noncumulative** Preferred Stock - A type of preferred stock that does not pay back dividends to its holders.

**Not Held (NH)** - An indication on an order that the execution does not depend on time; the broker or trader should take whatever time is necessary to ensure a good execution.

**Note** - The general name for a Treasury or agency security with an initial maturity of fewer than 10 years.

**NSCC (National Securities Clearing Corporation)** - A major clearing corporation offering many services to the brokerage community, including comparison of NYSE, AMEX, and over-the-counter transactions.

**NYSE Maintenance Requirement** - This is the minimum amount of equity that the margin customer must have in his account. However, since the house requirements are usually higher, it is the house maintenance that is used.

**OCC (Options Clearing Corporation)** - A clearing corporation owned jointly by the exchanges dealing in listed options. OCC is the central or main clearing corporation for listed options. Options traded on any SEC-regulated exchange can be settled through OCC.

**OCC Prospectus** - A prospectus published by the OCC and available to option traders upon request. It contains information on trading options and the risks involved.

**Odd Lot** - A quantity of securities that is smaller than the standard unit of trading, which is usually 100 shares.
Offer - The price at which the market maker will sell shares to investors.

**Offer for Sale** - A method of bringing a company to the market. The public can apply for shares directly at a fixed price. A prospectus containing details of the sale must be printed in a national newspaper.

**Offer Price** - The price at which the market maker will sell shares to investors.

**Open-End Fund** - A mutual fund that makes a continuous offering of its shares and stands ready to buy its shares upon surrender by the shareholders. The share value is determined by net asset value of the fund.

**Open-End Management Company** - A management company that is constantly issuing new shares.

**Opening Transaction** - Refers to a customer either buying or selling an option contract to open a new position.

**Option** - A contract that entitles the buyer to buy (call) or sell (put) a predetermined quantity of an underlying securities for a specific period of time at a preestablished price. A call option is the right to buy the stock, while a put is the right to sell the stock. The person who purchases an option, whether it is a put or a call, is the option "buyer." Conversely, the person who sells the put or call is the option "seller." In accordance with the standardized terms of their contracts, all options expire on a certain date, called the "expiration date." For conventional listed options, this can be up to nine months from the date the options are first listed for trading. There are longer-term option contracts, called LEAPS, which can have expiration dates up to three years from the date of the listing.

**Option Adjustments** - Changes made in the terms of an option contract on ex-dividend date when the underlying stock pays a cash or stock dividend or when there is a stock split, etc.

**Option Agreement** - The agreement the customer must sign to trade options in which the customer agrees to abide by the rules of the listed option exchanges.

**Option Class** - The group of options, put or call, with the same underlying security.

**Option Series** - The group of options having the same strike price, expiration date, and unit of trading on the same underlying stock.

**Options Clearing Corporation (OCC)** - A clearing corporation owned jointly by the exchanges dealing in listed options. OCC is the central or main clearing corporation for listed options. Options traded on any SEC-regulated exchange can be settled through OCC.

**Order Book Official (OBO)** - An employee of certain exchanges who executes limit orders on behalf of the membership.

**Order Department** - The department within a brokerage firm that is responsible for sending the customers' orders to the proper market for execution.

**Ordinary Shares** - The most common form of share. Holders receive dividends which vary in amount in accordance with the profitability of the company and recommendations of the directors. The holders are the owners of the company. Also known as Common Stock.

**Original Issue Zeros** - Zero-coupon securities originally issued by a corporation, government, or governmental subdivision as zeros. A zero-coupon security not created by severing interest and principal payments from a preexisting bond.

**OTC Bulletin Board** - An electronic service that provides selected quotes on over-the-counter stocks.

**OTC Options** - Options created by OTC firms.

**Out-of-the-Money** - Options with no intrinsic value such as a call when the market price is below the strike price of the call or a put when the market price is above the strike price of the put.

**Over-The-Counter Market (OTC)** - Comprised of a network of telephone and telecommunication systems over which unlisted securities and other issues trade.

**Pacific Clearing Corporation (PCC)** - The clearing corporation of the Pacific Stock Exchange.

**Pacific Stock Exchange (PSE)** - This exchange operates in San Francisco and Los Angeles.

**Par** - Face value; the nominal value of a security.

**Par Value** - A value that a corporation assigns to its security for bookkeeping purposes.

**Participating Preferred** - Preferred stock whose holders may "participate" with the common shareholders in any dividends paid over and above those normally paid to common and preferred stockholders.

**Pass-Through Security** - Instrument representing an interest in a pool of mortgages. Pass-throughs pay interest and principal on a monthly basis.

**Penny Stocks** - Extremely low-priced securities that trade over the counter.

**PEPS (Personal Equity Plans)** - These allow investment in a number of shares and carry various tax benefits, including the receipt of dividends without paying income tax on the income and sales free from capital gains tax on the profit.

**PERQS** - Performance Equity-Linked Redemption Quarterly Pay Securities, a service mark of Morgan Stanley. PERQs are intermediate equity-linked debt instruments representing either senior or subordinated debt of the issuer. Unlike conventional debt, the maturity date is not fixed, but rather dependent on the price of common stock to which the security is "linked". These debt PERQs are not to be confused with Preferred stock PERQs - Preferred Exchangeable Redemption Cumulative Securities.

**Phantom Interest** - The yearly accreted interest that a zero-coupon security is presumed to pay each year you hold it even though payment of interest isn’t made until the zero matures.

**Philadelphia Stock Exchange (PHLX)** - An equities and options exchange located in Philadelphia.

**PIKs** - Payment-in-kind bonds.

**PINES** - Public Income Notes, represent general, unsecured, unsubordinated obligations of a company that are sold to the general public in small amounts usually $25, trade on the stock exchanges, pay fixed specified quarterly interest payments, are redeemable at par plus accrued interest at the option of the company after a specified period (generally 5 years), and mature in 30 to 50 years. PINES trade flat on the markets (the price does not include accrued interest in the trading price). PINES rank equally with the company's other unsecured and unsubordinated debt.

**Pink Sheets** - Daily publication providing dealer names and quotes on penny stocks. It is actually printed on pink paper.

**Plus-Tick Rule** - SEC rule that states that no short sale may be made when the last trade on the security was a minus tick.

**Point** - A price movement of one full increment. For example, a stock rises one point when its price goes from 23 to 24.

**Portfolio** - The different securities owned in an account of client.

**Position Limits** - The maximum number of option contracts that may be held on the same side of the market for a particular security. The number may vary depending on the security.

**Preemptive Right** - A right, sometimes required by the issuer's corporate charter, by which current owners must be given the opportunity to maintain their percentage ownership if additional shares of the same class are issued. Additional shares of the soon-to-be issued security are offered to current owners in proportion to their holders before the issue can be offered to others. Usually one right is issued for each outstanding share. The rights are used to subscribe to the additional shares at a predetermined cash amount.

**Preference Shares** - These are normally fixed-income shares whose holders have the right to receive dividends before ordinary shareholders but after debenture and loan stockholders have received their interest.

**Preferred Stock** - Stock that represents ownership in the issuing corporation and that has prior claim on dividends. In the case of bankruptcy, preferred stock has a claim on assets ahead of common stockholders. Preferred stock is junior to the issuing entity's debt obligations but senior to common stock in the payment of dividends and the liquidation of assets. The dividend can be fixed or floating and is usually stated as a percentage of par value. Preferred stock usually has no voting rights and frequently has a mandatory or optional redemption provision. The expected dividend is part of the issue's description.

**Premium (Bonds)** - A bond trading for more than the face amount (usually $1,000), it is said to be trading at a premium. If a bond is trading for less than the face amount (usually $1,000) it is said to be trading at a discount. Therefore, a bond trading for $1,400 is trading at a premium and a bond trading at $700 is trading at a discount. Remember, if you pay more you get less; and if you pay less, you get more. Basically, if you buy a bond trading at a premium, you get less of a return than the one stated on the face of the bond. And if you buy a bond trading at a discount, you get more than the amount stated on the face of the bond.

**Premium (Options)** - The cost of purchasing or selling a traded option.

**Price/Earnings Ratio** - A P/E ratio is equal to a stock's market capitalization divided by its after-tax earnings over a 12-month period, usually the trailing period but occasionally the current or forward period. The value is the same whether the calculation is done for the whole company or on a per-share basis. The higher the P/E ratio, the more the market is willing to pay for each dollar of annual earnings. The last year's price/earnings ratio (P/E ratio) would be actual, while current year and forward year price/earnings ratio (P/E ratio) would be estimates, but in each case, the "P" in the equation is the current price. Companies that are not currently profitable (that is, ones which have negative earnings) don't have a P/E ratio at all.

**Price Spread** - A spread in which the two options have the same expiration date but have different exercise or strike price.

**Primary Dealer** - Any of 40 firms recognized by the Treasury Department as eligible to bid on Treasury and agency securities when they are initially issued and to make a market for secondary buyers.

**Primary Market** - (1) The initial offering of certain debt issues. (2) The main exchanges for equity trading.

**Principal** - A brokerage firm when it acts as a dealer and marks up a purchase price or marks down a sale price when reporting the execution.

**Private Company** - A company which is not a public company and does not offer its shares to the general public.

**Private Placement** - An issue that is offered to a single or a few investors as opposed to being publicly offered.

**Privatization** - Conversion of a state run company to public limited company status often accompanied by a sale of its shares to the public.

**Probate Price** - The price used to assess the value of shares for inheritance tax purposes. Calculated on the "quarter up" principle. That is, instead of taking the Mid Price in the Official List, the difference between the two prices (bid and offer) given under "quotation" is divided by four, and the result added to the lower of the two prices.

**Prospectus** - A document that explains the terms of a new security offering — the officers, the outside public accounting firms, the legal opinion, and so on. Must be given to any customer who purchases new corporate and certain Muni issues.

**Proxy** - A form and a process for voting via the mail, permitting stockholders to vote on key corporate issues without having to attend the actual meeting.

**Proxy Fight** - An attempt by a dissident group to take over the management of a corporation. The group sends proxies electing them to the board; the current management sends proxies favoring them. The shareholders cast their votes by selecting one proxy or the other.

**Public Limited Company (PLC)** - A public company limited by shares and having a share capital, and which may offer shares for purchase by the general public. Only PLC's may qualify for listing or trading on the USM on the London Stock Exchange.

**Public Market** - The listed exchanges through which zero-coupon investments can be purchased and sold.

**Public Offering Date** - The first day the new issue is offered to the public, on or shortly after the effective date.

**Purchase Price** - The amount paid to purchase a Treasury or agency obligation.

**Put** - The buyer of an equity put option purchases the right to sell the number of shares of the underlying stock at the contracted exercise price. Thus, the buyer of one ZYX June 50 put has the right to sell 100 shares of ZYX at $50 any time prior to the expiration date. All puts covering ZYX stock are referred to as an "option class." Each individual option with a distinctive trading month and strike price is an "option series." The ZYX June 50 puts would be an individual series.

**Quarterly Refunding** - Auctions of Treasury notes and bonds occurring in May, August, November, and February.

**QUICS** - Quarterly Income Capital Securities created by Lehman Brothers. These are subordinated debentures with interest payments that can be deferred at the issuer's option, usually for up to five years. Usually sold in small denominations (generally $25 per bond), paying quarterly interest.

**QUIDS** - Quarterly Income Debt Securities created by Goldman Sachs & Co. These are junior subordinated debentures with interest payments that can be deferred at the issuer's option, usually for up to five years. They have been issued in exchange for a company's preferred stock. Interest is deductible for corporate income tax purposes while preferred stock dividends are not. Usually sold in small denominations (generally $25 per bond), paying quarterly interest.

**Quotation** - The current bid price and the current ask price of a security.

**Quote** - The highest bid and lowest offer on a given security at a particular time.

**Range** - The high and low prices for the day for a security.

**Rating** - The alphabetical designation attesting to the investment quality of a bond.

**RATS** (Registered Certificates of Accrual on Treasury Securities) - Another trade name for derivative zeros backed by U.S. Treasury obligations.

**Receiver's Certificate** - A certificate issued when a company is in financial trouble. Its purpose is to provide the company with funds to complete processing cycles so that more money can be obtained through its liquidation.

**Record Date** - The day that an individual must be the owner of record to be entitled to an upcoming dividend.

**Red Herring** - The preliminary prospectus. The name comes from the advisory that is printed on the face of the prospectus in red ink.

**Redemption** - The retiring of a debt instrument by paying cash.

**Redemption Date** - The date on which a security (usually a fixed interest stock), is due to be repaid by the issuer at its full face value. The year is included in the title of the security; the actual redemption date is that on which the last interest is due to be paid.

**Redemption Notice** - A notice that a corporation or a municipality is calling or redeeming a certain issue of bonds.

**Refunding** - The retiring of a debt instrument by issuing a new debt instrument.

**Reg T Excess** - In a margin account, the amount by which the loan value exceeds the debit balance.

**Registered Bond** - A bond on which the owner's name appears on the certificate.

**Registered Form** - The recording of a security's ownership on the issuer's central ledger. Anyone delivering the security must prove that he or she is, in fact, the person to whom the securities is registered.

**Registered to Principal Only** - A feature of a bond whose ownership is recorded on a central ledger and whose interest payments are made only when coupons are detached and cashed in. Payments are not automatically sent to the owner.

**Registered Trader** - A member of an exchange who is responsible for adding "liquidity" to the marketplace by purchasing or selling assigned securities from his or her inventory. Also known as competitive market makers or option principal members.

**Registrar** - A commercial bank or trust company that controls the issuance of securities.

**Registration Statement** - Document filed with the Securities and Exchange Commission (SEC) explaining an impending issue and pertinent data about the issuer. Based on the information provided, the SEC either permits or prevents the issue from being offered.

**Regular Way** - Settlement on the 3rd business day following the trade date.

**Regular Way Contract** - The first contract sheet received from NSCC that contains compared, uncompared, and advisory data.

**Regular Way Delivery** - A type of settlement calling for delivery on the third business day after trade dates for stocks, corporate bonds, municipals. For government bonds and options, delivery is the first business day after trade.

**Regulation A** - A regulation governing the issuance of new securities.

**Regulation T (Reg T)** - A federal regulation that governs the lending of money by brokerage firms to its customers.

**Reinvestment Opportunity** - Ability to reinvest interest and principal paid by income securities.

**Reinvestment Rate** - Rate of interest earned by reinvesting interest payments rather than consuming them as current income.

**Reinvestment Risk** - The risk that a bondholder may only be able to reinvest his coupons at a lower rate than originally planned. If yields fall, his reinvestment income and consequently his total return from holding the bond will fall relative to the original yield. Conversely, if yields rise, total return will also rise. The time to maturity and the coupon rate determine the degree of reinvestment risk.

**Renounceable Documents** - Temporary evidence of ownership, of which there are four main types. When a company offers shares to the public, it sends an Allotment Letter to the successful applicants; if it makes a rights issue, it sends a Provisional Allotment Letter to its shareholders, or in the case of a capitalization issue, a Renounceable Certificate. All of these are in effect bearer securities and are valuable. Each includes full instructions on what the holder should do if he wishes to have the newly-issued shares registered in his name or if he wishes to renounce them in favor of somebody else.

**Repurchase Agreement (Repo)** - An agreement used to finance certain government and money market inventory positions. The brokerage firm sells securities to the financing organization with the agreement that the firm will repurchase them in the short-term future.

**Restricted Account** - As defined by Regulation T, a margin account in which the debit balance exceeds the loan value.

**Restricted Securities** - Unregistered securities acquired in a transaction that does not involve a public offering.

**Retention Requirement** - The amount that must be retained in a restricted margin account if anything is to be withdrawn.

**Revenue Anticipation Note (RAN)** - A short-term debt instrument that is issued by municipalities and that is to be paid off by future (anticipated) revenue.

**Revenue Bond** - A municipal bond whose issuer’s ability to pay interest and principal is based on revenue earned from a specific project. Examples are water, sewer, school district, airport, etc. States and their sub-divisions create certain agency's and authorities to perform specific tasks. Many times, the agency or authority has the ability to levy charges and fees for its services (e.g. the water company).
**Right** - A certificate showing that the stockholder has the privilege of purchasing new securities in proportion to the number of shares he owns before the general public.

**Rights Issue** - An invitation to existing shareholders to purchase additional shares in the company

**Rights Offering** - An offering that gives each shareholder a chance to exercise his preemptive rights.

**Rights Arbitrage** - The simultaneous purchase and sale of different securities in anticipation of a merger or tender offer.

**RNS (Regulatory News Service)** - A service operated by the Exchange, in its role as competent authority for listing, which ensures that price-sensitive information from listed and USM companies is collected and then disseminated to all RNS subscribers at the same time.

**Roth IRA** - An individual retirement fund. Contributions are not tax deductible, but withdrawals are tax exempt if an individual has been in the plan at least five years and is at least 59-1/2. Income limits and additional rules apply.

**Round Lot** - A standard trading unit. In common stocks, 100 shares make up a round lot. A round lot of bonds in the over-the-counter market is 5 bonds.

**Rule 144** - Rule that governs the sale of control and restricted securities.

**Rules of Fair Practice** - Part of the NASD rules that govern the dealings of firms with the public.

**Sales Charge** - The amount added to the net asset value of a mutual fund to determine the offering price.

**Sallie Mae** - Nickname for the Student Loan Marketing Association and the securities it issues.

**Same-Day Substitution** - The buying of one security and the selling of another security, usually of equal value, on the same day.

**Secondary Market** - The market in which securities are traded after the initial (or primary) offering. Gauged by the number of issues traded. The over-the-counter market is the largest secondary market.

**Securities** - General name for all stocks and shares of all types. In common usage, stocks are fixed interest securities and shares are the rest, though strictly speaking, the distinction is that stocks are denominated in money terms.

**Securities and Exchange Commission (SEC)** - The federal agency responsible for the enforcement of laws governing the securities industry.

**Securities Industry Automated Corporation (SIAC)** - The computer facility and trade processing company for NYSE, AMEX, NSCC, and PCC.

**Securities Investor Protection Corporation (SIPC)** - Non-profit organization consisting of members of the securities industry who support it on an assessment basis. If a member should fail, that member's customers are protected up to a maximum of $500,000, including up to $100,000 in cash.

**Segregation** - The isolation of securities that the firm may not use for hypothecation or loan. The securities, which must be "locked up" by the firm, represent fully paid-for securities or the portion of a margin account in excess of loanable securities.

**Sell/Write** - An advanced option order that combines the short selling of an equity and the selling of a put option on the same underlying stock.

**Seller's Option** - A settlement that calls for delivery and payment according to the number of days specified by the seller.

**Sell-Out** - Occurs when a contract brokerage firm's client incurs a margin or maintenance call and does not settle the balance by settlement date. The firm then sells the securities at the best price available and the buyer is held liable for the price and costs.

**Serial Bonds** - An issue of bonds that matures over a period of years.

**Serial Maturity** - Type of bond maturity in which part of the issue matures at different times until the whole issue has matured.

**Series** - Refers to options with the same underlying security, same expiration date, same exercise price and the same type.

**Settled Inventory** - The portion of a trader's position that the firm has paid for and maintains. This is the portion that must be financed.

**Settlement Date** - The day when a transaction is to be completed. On this day, the buyer is to pay and the seller is to deliver. Settlement is normally 3 business days on listed equities and 1 business day on listed options.

**Settlement Date Inventory** - The total of all positions in a security on settlement date, including fault, transfer, fails and elsewhere.

**SFA (The Securities and Futures Authority, previously known as The Securities Association)** - The Self-Regulating Organization responsible for regulating the conduct of brokers and dealers in securities, options and futures, including most member firms of the Exchange.

**Short Account** - Account in which the customer has sold short securities. Before a customer may sell short, a margin account must be opened.

**Short Exempt** - A phrase used to describe a short sale that is exempt from the short sale rules. For example, buying a convertible preferred, submitting conversion instructions, and selling the common stock before the stock is received.

**Short Position** - (1) A position in a customer's account in which the customer either owes the firm securities or has some other obligation to meet. (2) Any position on the firm's security records having a credit balance.

**Short Sale** - The sale of securities that are not owned or that are not intended for delivery. The short seller "borrows" the stock to make delivery with the intent to buy it back at a later date at a lower price.

**Short-Term Bonds** - Those maturing within five years.

**Size** - The number of shares available in a quote. For example, if the quote and size on a stock is 9-3/8 to 9-1/2 3x5, it means that the bid is 9-3/8, the offer is 9-1/2, 300 shares are bid, and 500 shares are offered.

**Specialist** - A member of certain SEC-regulated exchanges who must make a market in assigned securities. Specialists also act as two-dollar brokers in executing orders entrusted to them.

**Spin Off** - Giving stock dividend in another CUSIP, usually a subsidiary.

**Split Fund** - A mutual fund or unit trust that contains Treasury securities and other types of investments.

**Spread** - The difference between the bid and offer sides of a quote.

**Spread Order** - An advanced option order that combines the purchase and sale of two puts or two calls on the same underlying security.

**SRO (Self-Regulating Organization)** - An organization recognized by the SIB and responsible for monitoring the conduct of business by, and capital adequacy of, investment firms.

**Stock** - A security that represents ownership in a corporation and that is issued in "shares".

**Stock Ahead** - Refers to a limit order that has not been executed because of other orders at the same limit that were entered earlier.

**Stock Dividends** - A dividend paid by corporations from retained earnings in the form of stock. The corporation declares the dividend as a percentage of shares outstanding.

**Stock Power** - A form that may be endorsed in lieu of endorsing the back of the stock certificate.

**Stock Record** - A ledger on which all security movements and positions are recorded. The record is usually in two formats: One shows movements of the security the previous day and the other shows the current security positions.

**Stock Splits** - The exchange of existing shares of stock for more newly issued shares from the same corporation. Since the number of shares outstanding increase, the price per share goes down. Splits do not increase or decrease the capitalization of the company, just redistributes it over more shares. The effect is the adjustment to the trading price.

**Stockholder's Equity** - Company's net worth. Total liabilities are subtracted from the total assets to arrive at this figure.

**Stop Limit Order** - This order is similar to a stop order, but it becomes a limit order instead of a market order when the price is reached or passed. Buy stop limit orders are entered above the current market; sell stops are extended below it.

**Stop Order** - A memorandum order that becomes a market order when the price is reached or passed. Buy stops are entered above the current market price; sell stops are entered below it.

**Straddle** - Simultaneous long or short positions of puts and calls having the same underlying security and same strike price.

**Strangle** - An option strategy that refers to writing a call and a put with different strike prices on the same underlying security.

**Street Name** - A form of registration in which securities are registered in the name of a brokerage firm, bank, or depository; it is acceptable as good delivery.

**Strike (Exercise) Price** - The price at which an option can be exercised. For example, the owner of a call ABC April 40 can call in (buy) 100 shares of ABC at 40; the strike price is 40.

**Subject Quote** - A quote given to indicate the current market status but is not to be taken as a firm ask or bid.

**Subordinated Debenture** - A debenture whose claim to interest and principal of the corporation comes after those of regular debentures and other debt securities.

**Subscription Right** - A stockholder's right to maintain his proportionate ownership in the company by being given the opportunity to buy newly issued stock before the general public.

**Supplemental Contract** - A contract issued by the clearing corporation that includes the total of the regular way contract, adjustments made through advisories, and adds by seller processing.

**Takeover** - The acquisition of control over a corporation by another company, which normally ousts the current management. The takeover can occur by means of a proxy fight or the acquisition of a controlling quantity of common stock.

**TALISMAN** - The Exchange's computerized settlement system.

**Target Fund** - A mutual fund containing bonds that mature in a single year, giving the entire fund a terminal maturity in that year.

**Tax Anticipation Bill** - Short-term security similar to a T bill that is accepted at par in payment of corporate federal taxes.

**Tax Anticipation Note** - A municipal note issued in anticipation of revenues from a future tax. The security of the issue depends on the security and amount of the tax revenue the municipality intends to receive. Usually, these funds are used to finance current obligations.

**Tax Exempt Bonds** - Municipal securities (whose interest is free from federal income tax).

**Tenants In Common** - A joint account in which the death of one of the owners would cause his/her share of the account to be retained by his/her estate.

**Tender Offer** - The offer made by one company or individual for shares of another company. The offer may be in the form of cash or securities.

**Term Maturity** - Bonds of an issue all mature on the same date.

**Term Structure of Interest Rates** - A graph representing the yield to maturity of Treasury securities at identified years of maturity.

**Time Value ("time premium") -** Used in option transactions, the time value of an option is based on the amount of time left to expiration and an investor's beliefs about the future prospects of the underlying security. If investors believe the security price will rise, the premium will tend to be higher.

**TIGRs** - Acronym for Treasury Investment Growth Receipt, a Merrill Lynch service mark for its zero coupon U.S. Treasury bond product of the 1980's.

**Trade Confirmation** - Written verification and information concerning a transaction that is sent to the customer on or before the first business day following the trade date.

**Trade Date** - The day a trade occurs.

**Traded Options** - Transferable Options with the right to buy and sell a standardized amount of a security at a fixed price within a specified period.

**Trading Authorization** - Written permission for one to trade in another's account.

**Transfer** - The process by which securities are reregistered to new owners. The old securities are canceled and new ones issued to the new registrants.

**Transfer Agent** - A commercial bank that retains the names and addresses of registered securities owners and that reregisters traded securities to the name of the new owners.

**Treasury Bills -** Government bonds that have maturities of 3 months and 6 months. These are a direct short term obligations of the U.S. government. T-Bills do not pay interest. They are purchased at a discount. For example, one might buy a $10,000 three month T-Bill for $9,700. The investor would then receive $10,000 when the T-Bill reached maturity in 3 months. T-Bills are highly liquid.

**Treasury Bonds -** Government bonds that pay interest on a semi-annual basis. These have long term maturities. They mature in 10 years to 30 years. 30 year T-Bonds are callable beginning 5 years prior to maturity.

**Treasury Direct** - The program through which investors may purchase new issues of Treasury bills, notes, and bonds directly from the Federal Reserve.

**Treasury Notes -** Government bonds that have maturities from one year to ten years. T-Notes pay interest on a semi-annual basis. T-Notes always expire at par value. The different length notes are auctioned at different periods throughout the year.

**Treasury "Strips" -** STRIPS is an acronym of the Separate Trading of Registered Interest and Principal of Securities. "Stripped" Treasury securities are direct obligations of the United States Government. "Strips" are instruments created by "coupon stripping," i.e., the interest coupons of the bond are detached, or they are issued without interest coupons. The stripped bond, representing only the principal, is sold or issued as a separate instrument. "Strips" are purchased at a discount from face value to compensate for the fact that they lack periodic interest payments. The amount of the discount depends on the interest rate conditions prevailing at the time of purchase and the time left to maturity. The greater the interest rate or the longer the time to maturity, the steeper the discount. Stripped Treasury bonds are frequently referred to in the marketplace as "Treasury Zeros" or "Treasury Zero Coupons." They are called "zeros" because purchasers of such securities do not receive explicit periodic interest payments similar to corporate or municipal bonds. The minimum par value of a Treasury Strip is $1,000, with multiples of $1,000.

**TRUPs** - A Salomon Smith Barney acronym for a Trust Preferred Security.

**Trust Indenture** - Written agreement between a corporation and its debt issue holders stating interest rates, maturity dates, collateral, etc.

**Trust Preferred Securities** - Trust preferreds represent most of the new preferred offerings coming to the market today. Trust preferreds are a hybrid security consisting of a preferred stock issued by a special trust and debt securities issued by the company. The special trust is a subsidiary of the company set up solely for the purpose of selling and administrating the trust preferreds. The trust sells their preferred securities to investors, in denominations ranging from $25 upward, and then uses the proceeds from the sale of the preferred stock to buy debt securities (debentures, etc.) from the company setting up the trust. The interest payments from the debt securities are used to fund the preferred stock's distributions. When the debt securities mature and are paid off, the trust in turn uses those funds to pay off the trust preferred securities which mature at the same time. Trust preferreds are subject to redemption, generally at the issue or liquidation preference price, and generally in five years from the date of issue. Redemption of the securities, on or after the specified optional redemption date, is optional for the trust but the call for redemption is mandatory for the holder of the securities. The advantage of this hybrid arrangement to the company is that the interest paid on the debt securities is deductible from their income taxes while normal preferred dividends would not be deductible.

**Two-Dollar Broker** - An exchange member who executes orders from other member firms and charges a fee for each execution.

**Type** - Refers to an option being either a put or a call.

**Underlying** - The security on which options are being bought or sold.

**Underlying Security** - The security on which options are being bought or sold.

**Underwriter (Investment Banker)** - In a municipal underwriting, a brokerage firm or bank that acts as a conduit by taking the new issue from the municipality and reselling it. In a corporate offering, the underwriter must be a brokerage firm.

**Underwriting** - The process by which investment bankers bring new issues to the market.

**Underwriting Manager** - (1) In a negotiated underwriting, the investment banker whose client is the corporation wanting to bring out a new issue. (2) In a competitive underwriting, the lead firm in a group that is competing with other group(s) for a new issue.

**Uniform Gift to Minors Accounts (UGMA)** - A method of securities ownership whereby parents or other relatives may contribute cash or securities to children. Portions of returns generated by the securities are taxed at the children’s tax bracket instead of parents’ presumably higher bracket.

**Uniform Practice Code** - Part of the NASD rules that govern the dealing of firms with each other.

**Unit** - At issuance, a "package" of securities, such as a bond and warrant, which become separable at a later date.

**Unit Investment Trust** - An investment company organized under a trust indenture that sells interest in its portfolio in terms of redeemable securities.

**Unit Trust** - Similar to a mutual fund. A portfolio of securities, including mortgage-backed securities, offered by a brokerage or mutual fund.

**Unlisted Securities Market (USM**) - The Exchange's market for medium-sized companies which do not qualify for, or do not wish to have a full listing.

**Unlisted Security** - (1) A security which has not been admitted to the Stock Exchange's Daily Official List. Usually the issuer will be an unlisted company, but not always; it is not uncommon for a company to apply for its Ordinary Shares to be listed but not its loan stocks, or vice versa. (2) A security traded on the USM.

**Unwind** - An advanced option order that is used with the intention of closing an existing Buy/Write or Sell/Write position.

**Uptick** - A listed equity trade at a price that is higher than that of the last sale.

**U.S. Treasury Bill (T Bill)** - The shortest-term instrument issued by the federal government. The maturities of these discounted issues do not exceed one year at issuance, with three-month (90-day) or six-month (180-day) paper being very common.

**U.S. Treasury Bond (T Bond)** - The longest-term debt of the federal government, issued in coupon form for period of 10 to 30 years.

**Volatility** - Relative measure of a security's price movement during a specific time.

**Voting Trust** - The deposit of shares with a trustee to gain long-term corporate control.

**Warrant** - A security that allows the owner to purchase the issuing corporation's stock for a certain price over stated period. That period could be 10 or 20 years, and the price of the conversion is much higher than the current price of stock issue. A warrant is usually issued with another security, such as one warranty plus one bond, both of which form on unit.

**Weighted Average Maturity** - The arithmetic mean of maturities of securities held by a mutual fund.

**White Knight** - A company that rescues another in financial difficulty, especially one which saves a company from an unwelcome takeover bid.

**Work-Out Quote** - Subject quote in which the trader estimates the price at which he thinks the security can be bought or sold if given time to find a market.

**Write**r - Seller of an option contract to open.

**Yellow Sheets** - Wholesale quote sheet for corporate bonds used by dealers.

**Yield** - The rate of return on an investment. There are as many computations as there are different yields, such as current yield and yield to maturity.

**Yield Curve** - A graph linking the term structure of interest rates and showing the general pattern of yields to maturity on Treasury obligations.

**Yield Elbow** - The point on the yield curve that indicates the year at which the economy's highest interest rates occur.

**Yield to Call** - The percentage a bond will yield to the date at which it is eligible to be redeemed by its issuer.

**Yield to Maturity** - The total percentage yield a bond will produce if held for its full term of maturity.

**Zero Coupon Bond -** A bond that pays no periodic interest and sold at a deep discount from the face value. Buyer's rate of return comes from the gradual appreciation of the bond.

**Zero Coupon CD** - A certificate of deposit that pays interest only upon maturity.

**Zero-Minus Tick** - A stock trade at a price equal to the preceding trade but lower than the last different price.

**Zero-Plus Tick** - Term given to a sale made at the same price as the trade that preceded it providing that the previous trade was above the price of the sale it proceeded.