

AAIL : American Association of Individual Investors
 ABO : Accumulated Benefit Obligation
 ABS : Automated Bond System
 ACAT : Automated Customer Account Transfer
 ACES : Advance Computerized Execution System
 ACH : Automated Clearing House
 ACRS : Accelerated cost recovery system
 ACU : Asian currency units
 ADB : Adjusted Debit Balance
 ADR : American Depositary Receipt
 ADS : American Depositary Share
 AEX : Amsterdam Exchange
 AFM : Amman Financial Market
 AIBD : Association of International Bond Dealers
 AON : All or none order
 AOS : Automated Order System
 AMEX : American Stock Exchange
 AMPS : Auction Market Preferred Stock
 APR : Annual Percentage Rate
 APT : Arbitrage Pricing Theory
 APT : Automated Pit Trading
 APV : Adjusted Present Value
 APY : Annual Percentage Yield
 ARM : Adjustable-rate mortgage
 ARPS : Adjustable-rate preferred stock
 ARPS : Auction rate preferred stock
 ARR : Average rate of return
 ASE : Athens Stock Exchange.
 ASX : Australian Stock Exchange
 ATP : Arbitrage Trading Program
 ABC agreement : A contract between an employee and a brokerage firm outlining the rights of the firm purchasing an NYSE membership for that employee.
 Above par : Par.
 Absolute priority Rule in bankruptcy proceedings requiring senior creditors to be paid in full before junior creditors receive any payment.
 Absorbed Used in context of general equities. Securities are "absorbed" as long as there are corresponding orders to buy and sell. The market has reached the absorption point when further assimilation is impossible without an adjustment in price. See: Sell the book.
 Abusive tax shelter A limited partnership that the IRS judges to be claiming

tax deductions illegally.

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

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

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

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

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

Account In the context of bookkeeping, refers to the ledger pages upon which various assets, liabilities, income, and expenses are represented.

In the context of investment banking, refers to the status of securities sold and owned or the relationship between parties to an underwriting syndicate.

In the context of securities, the relationship between a client and a broker/dealer firm allowing the firm's employee to be the client's buying and selling agent. See: Account executive; account statement.

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

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

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

Account statement In the context of banking, refers to a summary of all balances.

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

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

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

Accounting exposure The change in the value of a firm's foreign currency-d

enominated accounts due to a change in exchange rates.

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

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

Accounts payable Money owed to suppliers.

Accounts receivable Money owed by customers.

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

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

Accredited investor Refers to a wealthy investor (net worth \$7 million or annual income >200,000) who does not count to the maximum of 35 people allowed to invest in a private limited partnership.

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

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

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

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

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

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

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

A buy recommendation, but not an urgent buy.

Accumulated Benefit Obligation (ABO) An approximate measure of the liability

y of a pension plan in the event of a termination at the date the calculation is performed. Related: Projected benefit obligation.

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

Accumulated profits tax A tax on earnings kept in a firm to prevent the higher personal income tax rate that would obtain if profits were paid out as dividends to the owners.

Accumulation In the context of corporate finance, refers to profits that are added to the capital base of the company rather than paid out as dividends. See: Accumulated profits tax.

In the context of investments, refers to the purchase by an institutional broker of a large number of shares over a period of time in order to avoid pushing the price of that share up.

In the context of mutual funds, refers to the regular investing of a fixed amount while reinvesting dividends and capital gains.

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

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

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

Acquiree A firm that is being acquired.

Acquirer A firm or individual that is acquiring something.

Acquisition When a firm buys another firm.

Acquisition cost Refers to the price (including the closing costs) to purchase another company or property.

In the context of investments, refers to price plus brokerage commissions, of a security, or the sales charge applied to load funds. See: Tax basis.

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

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

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

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

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

Active A market in which there is frequent trading.

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

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

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

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

Related: Passive portfolio strategy.

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

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

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

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

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

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

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

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

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

Adjusted balance method Method of calculating finance charges that uses the account balance remaining after adjusting for all transactions posted during

ng the given billing period as its basis. Related: Average daily balance method, previous balance method, past due balance method.

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

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

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

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

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

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

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

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

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

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

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

Advance refunding In the context of municipal bonds, refers to the sale of new bonds (the refunding issue) before the first call date of old bonds (the issue to be refunded). The refunding issue usually specifies a rate lower than

an the issue to be refunded, and the proceeds are invested, usually in government securities, until the higher-rate bonds become callable. See: Refunding escrow deposits.

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

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

Advisory letter A newsletter offering financial advice to its readers.

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

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

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

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

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

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

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

Aftermarket See: Secondary market.

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

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

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

Against the box See: Selling short against the box.

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

Agencies See: Federal agency securities.

Agency In context of general equities, buying or selling for the account and risk of a customer. Generally, an agent, or broker, acts as intermediary between buyer and seller, taking no financial risk personally or as a firm, and c

charging a commission for the service. The broker represents a customer buyer/seller to a customer seller/buyer and does not act as principal for the firm's own trading account. Antithesis of principal. See: Dealer.

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

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

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

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

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

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

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

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

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

Agent The decision-maker in a principal-agent relationship.

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

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

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

Aggressively Used in context of general equities. For a customer it means wo

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

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

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

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

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

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

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

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

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

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

All Ordinaries Index The major index of Australian stocks comprising 330 of the major companies listed on the Australian Stock Exchange.

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

All-in cost Total costs, explicit and implicit.

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

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

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

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

Alpha Measure of risk-adjusted performance. An alpha is usually generated by regressing the security or mutual fund's excess return on the S&P 500 excess return. The beta adjusts for the risk (the slope coefficient). The alpha is the intercept. Example: Suppose the mutual fund has a return of 25%, and the short-term interest rate is 5% (excess return is 20%). During the same time the market excess return is 9%. Suppose the beta of the mutual fund is 2.0 (twice as risky as the S&P 500). The expected excess return given the risk is $2 \times 9\% = 18\%$. The actual excess return is 20%. Hence, the alpha is 2% or 200 basis points. Alpha is also known as the Jensen Index. Related: Risk-adjusted return.

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

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

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

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

Alternative order Used in context of general equities. Order giving a broker a choice between two courses of action, either to buy or sell, never both. Execution of one course automatically eliminates the other. An example is a combination buy limit/buy stop order, where the buy limit is below the current m

arket and the buy stop is above. If the order is for one unit of trading, when one part of the order is executed on the occurrence of one alternative, the order on the other alternative is to be treated as cancelled. If the order is for an amount of more than one unit of trading, the number of units executed determines the amount of the alternative order to be treated as cancelled.

See: Either-or order.

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

American Depositary Receipt (ADR) Certificates issued by a U.S. depository bank, representing foreign shares held by the bank, usually by a branch or correspondent in the country of issue. One ADR may represent a portion of a foreign share, one share or a bundle of shares of a foreign corporation. If the ADR's are "sponsored," the corporation provides financial information and other assistance to the bank and may subsidize the administration of the ADR "Unsponsored" ADRs do not receive such assistance. ADRs are subject to the same currency, political, and economic risks as the underlying foreign share. Arbitrage keeps the prices of ADRs and underlying foreign shares, adjusted for the SDR/ordinary ratio essentially equal. American depository shares (ADS) are a similar form of certification.

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

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

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

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

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

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

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

Amman Financial Market (AFM) Established in 1976, the AFM is the only s

stock exchange in Jordan.

Amortization The repayment of a loan by installments.

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

Amortizing interest rate swap Swap in which the principal or notional amount rises (falls) as interest rates rise (decline).

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

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

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

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

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

Angels Individuals providing venture capital.

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

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

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

The process is known as annualizing.

Annual effective yield See: Annual percentage yield.

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

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

Annual percentage rate (APR) The periodic rate times the number of periods in a year. For example, a 5% quarterly return has an A.P.R. of 20%.

Annual percentage yield (APY) The effective, or true, annual rate of return. The APY is the rate actually earned or paid in one year, taking into account the effect of compounding. The APY is calculated by taking one plus the

periodic rate and raising it to the number of periods in a year. For example, a 1% per month rate has an APY of 12.68% ($1.01^{12} - 1$).

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

Annual renewable term insurance See: Term insurance.

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

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

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

Annualizing See: Annual basis.

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

Annuitant An individual who receives benefits from an annuity.

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

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

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

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

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

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

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

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

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

Antidilutive effect Result of a transaction that increases earnings per comm

on share (e.g., by decreasing the number of shares outstanding).

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

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

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

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

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

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

Appreciation Increase in the value of an asset.

Appropriation request Formal request for funds for capital investment project.

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

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

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

Arbitrage bonds Municipality issued bonds issued intended to gain an interest rate advantage by refunding a higher-rate bond in ahead of their call date.

Lower-rate refunding issue proceeds are invested in Treasuries until the first call date of the higher-rate issue.

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

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

Arbitrage Trading Program (ATP) See: Program trading.

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

by market conditions. See: Risk arbitrage, convertible arbitrage, index arbitrage, and international arbitrage.

Are you open? Used in context of general equities. "Can a new customer still participate on opposing side of the trade from that which the first customer initiated?", Inquiring as to whether any portion of that trade is still available See: Open.

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

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

Arm's length price The price at which a willing buyer and a willing unrelated seller would freely agree to transact.

Arms index Also known as a trading index (TRIN) (total up volume)/(total down volume). An advance/decline market indicator. Less than 1.0 indicates bearish demand, while above 1.0 is bullish. The index often is smoothed with a simple moving average.

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Any possession that has value in an exchange.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset stripper A corporate raider (company A) that takes over a target company (company B) in order to sell large assets of company B to repay debt. Com

pany A calculates that the net selling of the assets and paying off the debt, will leave the raider with assets that are worth more than what it paid for company B.

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

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

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

Asset turnover The ratio of net sales to total assets.

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

Assets A firm's productive resources.

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

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

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

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

Assumption Becoming responsible for the liabilities of another party.

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

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

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

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

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

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

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

At risk The exposure to the danger of economic loss. Frequently used in the context of

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

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

At the close order In the context of securities, an all or none market order that is to be executed at the closing price of the security on the exchange. If the execution cannot be made under this condition, the order is to be treated as cancelled.

In the context of futures and options, refers to a contract that is to be executed on some exchanges during the closing period, a period in which there is a range of prices.

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

At the full.

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

At the market See: Market order.

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

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

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

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

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

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

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

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

Audit trail Resolves the validity of an accounting entry by a step-by-step re

cord by which accounting data can be traced to their source.

Auditor's certificate See: Accountant's opinion.

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

Aunt Millie An unsophisticated investor.

Australian Stock Exchange (ASX) Established in 1987 following the amalgamation of the six independent stock exchanges operating in the Australian state capitals. The ASX is the tenth-largest stock exchange in the world on the basis of domestic capitalization.

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

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

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

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

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

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

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

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

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

Automated Pit Trading (APT) Introduced in 1989, APT is the LIFFE screen-based trading system that replicates the open outcry method of trading on screen.

en. A.P.T. is used to extend the trading day for the major futures contracts as well as to provide a daytime trading environment for non-floor trading products.

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

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

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

Automatic reinvestment See: Constant dollar plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Averaging See: Constant dollar plan.

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

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

e specialist for later execution unless FOK. Antithesis of in-line.

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

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