

# Glossary

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<b>Adjustable-Rate Mortgage (ARM)</b>	A mortgage that allows for the periodic adjustment of the interest rate on the basis of changes in a specified index or rate.
<b>Agency Mortgage-Backed Security</b>	A mortgage-backed security issued or guaranteed by federal agencies or government-sponsored enterprises.
<b>Asset-Backed Commercial Paper (ABCP)</b>	Short-term debt that has a fixed maturity of up to 270 days and is backed by some financial asset, such as trade receivables, consumer debt receivables, or auto and equipment loans or leases.
<b>Asset-Backed Security (ABS)</b>	A debt instrument that is collateralized by specific financial assets that generate the cash flow used to service the debt instrument.
<b>Auction Rate Security (ARS)</b>	A debt security, often issued by municipalities, in which the yield is reset regularly via a Dutch auction.
<b>Automated Clearing House (ACH)</b>	An electronic clearing and settlement system for exchanging batches of electronic transactions among participating depository institutions; such electronic transactions are often substitutes for paper checks and may be used to make recurring payments, such as payroll or loan payments, or single payments, such as transferring funds between accounts or paying bills online. In the United States, the system or network has two operators: the Federal Reserve Banks and a private sector organization.
<b>Available-for-Sale (AFS)</b>	An accounting term for debt and equity securities that have readily determinable fair values and are not classified as trading securities or as held-to-maturity securities. Available-for-sale securities are accounted for at fair value on a company's balance sheet.
<b>Bank for International Settlements (BIS)</b>	An international financial organization that serves central banks in their pursuit of monetary and financial stability, helping to foster international cooperation in those areas and acting as a bank for central banks.
<b>Bank Holding Company (BHC)</b>	Any company that has direct or indirect control of one or more banks and is regulated and supervised by the Federal Reserve in accordance with the Bank Holding Company Act of 1956.

<b>Basel Accords, Basel Standards</b>	The Basel Committee on Banking Supervision (BCBS) develops and issues international standards on bank capital adequacy. In 1988 the BCBS introduced a capital measurement system commonly known as the Basel Capital Accord or Basel I. In 2004 the BCBS issued a revised capital adequacy framework titled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework,” which is commonly referred to as the New Accord, or Basel II. Following the financial crisis, the BCBS developed new global standards for the banking system that are collectively referred to as Basel III.
<b>Broker-Dealer</b>	An entity that is engaged in the business of buying and selling securities for itself and others.
<b>Capitalization Rate</b>	In commercial real estate, the ratio of net operating income from a property to its value.
<b>Central Bank Reserves</b>	In the United States, balances held at Federal Reserve Banks to satisfy reserve requirements, plus any balances held in excess of required reserve balances and contractual clearing balances.
<b>Central Counterparty</b>	An entity that is interposed between the initial participants to a bilateral transaction, and becomes the buyer to every seller and the seller to every buyer of a specified set of contracts or financial instruments.
<b>Clearing Bank</b>	A commercial bank that facilitates payment and settlement of financial transactions, such as check clearing or facilitating trades between the sellers and buyers of securities or other financial instruments or contracts.
<b>Clearing House (Derivatives Clearing Organization or Clearing Agency)</b>	An entity through which financial institutions agree to exchange payment instructions or other financial obligations (e.g., securities). The institutions settle for items exchanged at a designated time based on the rules and procedures of the clearing house. In some cases, the clearing house may assume significant counterparty, financial, or risk management responsibilities for the clearing system.
<b>Clearing House Interbank Payments System (CHIPS)</b>	An automated clearing system used primarily for international payments. This system is owned and operated by The Clearing House and engages Fedwire Funds Service for settlement.
<b>Closed-End Fund</b>	A type of investment company that issues a fixed number of nonredeemable shares that trade intraday in secondary markets at market-determined prices.

<b>CLS Bank International (CLS)</b>	A private-sector, special-purpose bank used for settling foreign exchange transactions to eliminate settlement risk on a gross, payment-versus-payment basis.
<b>Collateralized Debt Obligation (CDO)</b>	A type of structured asset-backed security that has tranches with distinct interest rates, payment flows, and risk levels.
<b>Commercial Bank</b>	A chartered and regulated financial institution authorized to take deposits from the public, obtain deposit insurance from the FDIC, and engage in certain lending activities.
<b>Commercial Mortgage-Backed Security (CMBS)</b>	A security that is collateralized by a pool of commercial mortgage loans and makes payments that are based primarily on the performance of those loans.
<b>Commercial Paper (CP)</b>	Short-term (maturity of up to 270 days), unsecured corporate debt.
<b>Commercial Paper Funding Facility (CPFF)</b>	A Federal Reserve funding facility that enhanced liquidity in the commercial paper markets by providing a liquidity backstop to U.S. issuers of commercial paper. The facility purchased three-month unsecured and asset-backed commercial paper directly from eligible issuers. The program was announced in October 2008 and was closed on February 1, 2010.
<b>Committee on Payment and Settlement Systems (CPSS)</b>	A committee of central banks hosted by the Bank for International Settlements that sets standards for payment and securities settlement systems.
<b>Comprehensive Capital Analysis and Review (CCAR)</b>	A cross-institution study, completed in March 2011, conducted by the Federal Reserve of the capital plans and capital planning processes of the 19 largest U.S. bank holding companies.
<b>Confidential Supervisory Information</b>	Generally refers to information consisting of reports of examination and inspection, confidential operating and condition reports, and any information derived from, relating to, or contained in them, and information gathered by agencies responsible for supervising financial institutions in connection with any investigation or enforcement action. Confidential supervisory information also may consist of documents prepared by, on behalf of, or for the use of such agencies.

<b>Core Deposits</b>	Deposits that are stable, lower cost, and reprice more slowly than other deposits when interest rates change. Core deposits are typically funds of local customers who also have a borrowing or other relationship with the bank.
<b>Credit Default Swap (CDS)</b>	A bilateral over-the-counter contract in which one party agrees to make a payment to the other party in the event of a specified credit event, in exchange for one or more fixed payments.
<b>Credit Intermediation</b>	The process of receiving funds in order to provide debt financing to third parties.
<b>Credit Rating Agency</b>	A private company that evaluates the credit quality of debt issuers as well as their issued securities and provides ratings on the issuers and those securities. Many credit rating agencies are nationally recognized statistical rating organizations, the largest of which are Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
<b>Credit Union</b>	A member-owned, not-for-profit cooperative financial institution formed to permit members to save, borrow, and obtain related financial services. All federally chartered credit unions and most state-chartered credit unions provide federally insured deposits and are regulated by the NCUA.
<b>Current Account Balance</b>	The difference between a country's total exports and imports of goods, services, and transfers. Current account balance calculations exclude transactions in financial assets and liabilities.
<b>Dark Pool</b>	A trading network that matches the orders of multiple buyers and sellers for a financial instrument without displaying quotations to the public.
<b>Debt Guarantee Program (DGP)</b>	One of two components of the FDIC's Temporary Liquidity Guarantee Program. The DGP provided liquidity through an FDIC guarantee of certain types of senior unsecured debt issued by participating entities. Participating entities could issue FDIC-guaranteed debt through October 31, 2009, with maturities lasting through December 31, 2012.
<b>Defined Benefit Plan</b>	A retirement plan that uses a predetermined formula to calculate the amount of a participant's future benefit.
<b>Defined Contribution Plan</b>	A retirement plan in which the amount of the employer's annual contribution is specified.
<b>Deposit Insurance Fund (DIF)</b>	The fund managed by the FDIC to pay deposit insurance claims on failed banks, financed through assessments paid by FDIC-insured depository institutions.

<b>Deposit Insurance Limit</b>	The standard maximum deposit insurance amount granted to each depositor, per insured bank, for each account ownership category.
<b>Depository Institution</b>	A financial institution that is legally permitted to accept deposits. Depository institutions include savings banks, commercial banks, savings and loan associations, and credit unions.
<b>Discount Window</b>	The Federal Reserve facility for extending credit directly to eligible institutions.
<b>Dividend Recapitalization</b>	A transaction in which debt is used to finance a company's dividend payment, often in the form of a special one-time payment.
<b>European Stability Mechanism (ESM)</b>	A European intergovernmental crisis financing facility that will be activated in 2013, following ratification of an amendment to the EU treaties. The ESM will be backed by €80 billion in paid-in capital and €620 billion of callable capital by euro area member states, and will have a €500 billion lending capacity. The ESM will be permitted to lend only to Eurozone sovereigns in the context of an adjustment program, and all lending decisions must be made by unanimous agreement by creditor states.
<b>Exchange Traded Note (ETN)</b>	Senior unsecured debt securities issued by a firm. These structured notes are listed and traded on securities exchanges and offer returns based on exposure to different underlying assets.
<b>Farm Credit System</b>	A government-sponsored enterprise created by Congress and composed of a network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers. The Farm Credit System is the largest agricultural lender in the United States and is regulated by the Farm Credit Administration.
<b>Fedwire Funds Service</b>	A real-time gross settlement system owned and operated by the Federal Reserve Banks that offers participants the ability to send and receive time-critical payments for their own account or on behalf of their clients.
<b>Fedwire Securities Service</b>	A book-entry securities transfer system operated by the Federal Reserve Banks that provides participants safekeeping, transfer, and delivery-versus-payment settlement services.
<b>FICO Score</b>	A measure of a borrower's creditworthiness based on the borrower's credit data; developed by the Fair Isaac Corporation.

<b>Financial Market Infrastructure</b>	A multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions. Financial market infrastructures exist in many financial markets to support and facilitate the transferring, clearing, or settlement of financial transactions.
<b>Financial Market Utility (FMU)</b>	Subject to certain exclusions, the Dodd-Frank Act defines an FMU as “any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person.”
<b>Fiscal Consolidation</b>	Government policy aimed at reducing government deficits and the pace of debt accumulation.
<b>Fiscal Year (FY)</b>	Any 12-month accounting period. The fiscal year for the federal government begins on October 1 and ends on September 30 of the following year; it is named after the calendar year in which it ends.
<b>Fixed-Rate Mortgage</b>	A mortgage loan in which the interest rate does not change during the term of the loan.
<b>Floating Rate Note</b>	A debt instrument with a variable interest rate.
<b>General Obligation (G.O.) Bond</b>	A type of municipal bond backed by the full faith and credit of the governmental unit that issues the bond.
<b>Government-Sponsored Enterprise (GSE)</b>	A corporate entity that has a federal charter authorized by law but that is a privately owned financial institution.
<b>Gross Domestic Product (GDP)</b>	The broadest measure of aggregate economic activity, measuring the total value of all final goods and services produced within a country’s borders during a specific period.
<b>The Group of Twenty Finance Ministers and Central Bank Governors (G-20)</b>	An international forum established in 1999 to bring together officials of systemically important industrialized and developing economies to discuss key issues in the global economy.
<b>Held-to-Maturity (HTM)</b>	An accounting term for debt securities held in portfolio and accounted for at cost, under the proviso that the company has the positive intent and ability to hold those securities to maturity.

<b>Household Debt Service Ratio</b>	An estimate of the ratio of debt payments to disposable personal income. Debt payments consist of the estimated required payments on outstanding mortgage and consumer debt.
<b>Interest Rate Risk</b>	The exposure of an individual's or an institution's financial condition to movements in interest rates.
<b>International Organization of Securities Commissions (IOSCO)</b>	An international organization of securities market regulatory agencies that sets standards for securities markets.
<b>Investment-Grade Security</b>	A security whose rating is among the highest in credit-worthiness as measured by credit rating agencies.
<b>Large Bank Holding Company</b>	Any bank holding company (BHC) that files the FR Y-9C. All BHCs with total consolidated assets of \$500 million or more are required to file. Before March 2006, the threshold was \$150 million. BHCs meeting certain additional criteria determined by the Federal Reserve may also be required to file regardless of size.
<b>Leveraged Buyout (LBO)</b>	An acquisition of a company in which the buyer uses borrowed funds for a significant portion of the purchase price.
<b>Leveraged Loan</b>	A loan or revolving credit facility provided to a borrower that is carrying a high debt burden.
<b>LIBOR-OIS Spread</b>	The difference between LIBOR and an OIS rate of a similar term, which serves as a measure of market pricing of the credit and liquidity risk in term, unsecured interbank lending. The LIBOR-OIS spread is widely viewed as a barometer of stress in money markets.
<b>Loan-to-Value Ratio (LTV)</b>	The ratio of the amount of a loan to the value of an asset, typically expressed as a percentage. This is a key metric when considering the financing of a mortgage.
<b>London Interbank Offered Rate (LIBOR)</b>	The interest rate at which banks can borrow unsecured funds from other banks in London wholesale money markets, as measured by daily surveys of the British Bankers' Association. The published rate is a trimmed average of the rates obtained in the survey.
<b>Loss-Sharing Arrangement</b>	A method in a purchase and assumption transaction in which the seller agrees to share with the acquirer losses on certain types of assets. The seller usually agrees to absorb a significant portion of future disposition losses on covered assets. The economic rationale for such transactions is that retaining loss share assets in the banking sector would produce a better net recovery than the seller's liquidation of the assets.

<b>Maastricht Treaty</b>	The treaty establishing the European Union, enacted in 1993. The Maastricht Treaty laid the basis for a common currency (the euro) and the European Central Bank. Subsequently amended (most recently by the Lisbon Treaty), the Maastricht Treaty lays out the basic policymaking responsibilities of member states, the European Commission, and the European Parliament.
<b>Macroprudential Regulation</b>	Regulation aimed at promoting the stability of the financial system as a whole rather than individual institutions.
<b>Marketable Debt</b>	Obligations that can be bought and sold on public secondary markets.
<b>Mark-to-Market</b>	The process by which the reported value of an asset is adjusted to reflect its market value.
<b>Maturity Transformation</b>	A condition in which a financial intermediary issues shorter-term liabilities to fund longer-term assets.
<b>Model Risk</b>	Risk related to using an incorrect model specification. For example, misspecification can be due to programming errors, technical errors, data issues, or calibration errors.
<b>Money Market Fund (MMF)</b>	A type of mutual fund that is required by law to invest in low-risk securities and pays dividends that generally reflect short-term interest rates. MMFs typically invest in government securities, certificates of deposit, commercial paper, or other highly liquid and low-risk securities.
<b>Mortgage Servicer</b>	A company that acts as an agent for mortgage holders by collecting and distributing mortgage cash flows. Servicers also handle defaults, modifications, settlements, and foreclosure proceedings.
<b>Mortgage-Backed Security (MBS)</b>	An asset-backed security backed by a pool of mortgages. Investors in the security receive payments derived from the interest and principal payments on the underlying mortgages.
<b>Municipal Bond</b>	A bond issued by states, cities, counties, local governmental agencies, or certain nongovernment issuers.
<b>Mutual Fund</b>	A type of investment company that issues redeemable securities, which the fund generally stands ready to buy back from investors at their current net asset value. Also called an open-end investment company or open-end fund.



<b>Nationally Recognized Statistical Rating Organization (NRSRO)</b>	A credit rating agency that is registered with the SEC as an NRSRO.
<b>Overnight Indexed Swap (OIS)</b>	An interest rate swap that serves as a measure of investor expectations of an average effective overnight rate over the term of the swap.
<b>Over-the-Counter (OTC)</b>	A method of trading that does not involve an organized exchange. In over-the-counter markets, participants trade directly with each other, typically through voice or computer communication.
<b>Private-Label Mortgage-Backed Security</b>	In housing finance, a mortgage-backed security or other bond created and sold by a company other than a government-sponsored enterprise (GSE). The security often is collateralized by loans that are ineligible for purchase by a GSE.
<b>Prudential Regulation</b>	Regulation aimed at ensuring the safe and sound operation of financial institutions, set by both state and federal authorities.
<b>Public Debt</b>	Cumulative amounts borrowed by the Treasury Department or the Federal Financing Bank from the public or from another fund or account. The public debt does not include agency debt (amounts borrowed by other agencies of the federal government).
<b>Ratings Uplift</b>	The difference between the stand-alone credit rating assigned by a credit rating agency to an issuer, based on that issuer's intrinsic financial strength, and the higher credit rating that considers the possibility of implicit external (e.g., government) support.
<b>Real Estate Mortgage Investment Conduit</b>	A type of multiclass mortgage-backed security in which interest and principal payments from the underlying mortgages are structured into separately traded securities.
<b>Receiver</b>	A custodian appointed to maximize the value of the assets of a failed institution or company, and to settle the liabilities.
<b>Recourse Obligation</b>	An obligation for which the lender has a legal right to seek repayment from a borrower if the collateral is insufficient to pay the debt in full.
<b>Repurchase Agreement (Repo)</b>	A transaction in which one party sells a security to another party while agreeing to repurchase it from the counterparty at some date in the future, at an agreed price.

<b>Reserve Requirements</b>	The amount of funds that a depository institution must hold in reserve against specified deposit liabilities. In the United States, within limits specified by law, the Federal Reserve has authority over changes in reserve requirements. Depository institutions must hold reserves in the form of vault cash or deposits with Federal Reserve Banks.
<b>Residential Mortgage-Backed Security (RMBS)</b>	A security that is collateralized by a pool of noncommercial, residential mortgage loans and makes payments that are based primarily on the performance of those loans.
<b>Revenue Bond</b>	A type of municipal bond backed by revenue from the project the bond finances.
<b>Revolving Credit</b>	A lending arrangement whereby a lender commits to provide a certain amount of funding to a borrower on demand. The borrower may generally borrow and repay the committed funding at any time over the term of the agreement.
<b>Risk-Based Capital</b>	An amount of capital, based on the risk-weighting of various asset categories, that a financial institution should hold to protect against adverse developments.
<b>Secured Lending</b>	Lending in which the borrower pledges collateral to the lender to secure repayment of the loan.
<b>Securities Lending/Borrowing</b>	The temporary transfer of securities from one party to another for a specified fee and term, in exchange for collateral in the form of cash or securities.
<b>Securitization</b>	A financial transaction in which assets such as mortgage loans are pooled, and securities representing interests in the pool are issued.
<b>Self-Regulatory Organization (SRO)</b>	An organization that has the authority to regulate its members by establishing and enforcing rules and standards regarding its members' conduct.
<b>Settlement Risk</b>	The risk that settlement of a transaction in a transfer system will not take place as expected. In foreign exchange, this is the risk that one party will pay out the currency it sold but not receive the currency it bought. This risk may comprise both credit and liquidity risk. In the settlement process, this term is typically associated with exchange-for-value transactions when there is a lag between the final settlement of the various legs of a transaction (i.e. the absence of delivery versus payment).

<b>Short-Term Wholesale Funding</b>	Large-value, short-term funding instruments, exceeding deposit insurance limits, that are typically issued to institutional investors. Examples include large checkable and time deposits, financial open market paper, and repurchase agreements.
<b>Structured Note</b>	An unsecured debt instrument that has a derivative element. The return on structured notes is based in part on the performance of one or more underlying reference assets, such as equities, commodities, or interest rates. Structured notes remain recourse obligations of the issuer and are subject to default risk.
<b>Stub Quote</b>	An offer to buy or sell a stock at a price so far away from the prevailing market price that it is not intended to be executed, such as an order to buy at a penny or an offer to sell at \$100,000.
<b>Supervisory Capital Assessment Program (SCAP)</b>	A stress test, conducted from February to May 2009, designed to estimate the capital needs of U.S. bank holding companies with assets exceeding \$100 billion under an adverse macroeconomic scenario; it was administered by the Federal Reserve, OCC, and FDIC.
<b>Synthetic Collateralized Debt Obligation</b>	A collateralized debt obligation, issued by an entity that holds credit default swaps on reference assets (rather than holding the reference assets themselves), that allows investors to gain exposure to those reference assets.
<b>System Open Market Account (SOMA)</b>	The SOMA consists of the Federal Reserve's domestic and foreign portfolios, which include both dollar-denominated and euro and yen-denominated assets, in addition to reciprocal currency arrangements made with foreign institutions. The Federal Open Market Committee (FOMC) has selected the Federal Reserve Bank of New York to execute open market transactions, using the SOMA portfolio, to implement monetary policy and foreign exchange intervention at the direction of the FOMC.
<b>Systemic Risk Determination</b>	Upon the written recommendation of two-thirds of the FDIC Board and two-thirds of the Federal Reserve Board, the Secretary of the Treasury (in consultation with the President) determines that conformance with least-cost resolution would have serious adverse effects on economic conditions or financial activity before the FDIC is allowed to take action other than least-cost resolution or provide assistance as necessary to avoid or mitigate such effects.
<b>Temporary Liquidity Guarantee Program (TLGP)</b>	A program implemented in October 2008 by the FDIC through a systemic risk determination to provide liquidity to the banking industry by restoring banks' access to funding markets and by stabilizing bank deposits. The program had two components: the Debt Guarantee Program and the Transaction Account Guarantee Program.

<b>Tender Option Bond (TOB)</b>	An obligation, also known as a “put bond” or “puttable security,” that grants the bondholder the right to require the issuer or a specified third party acting as agent for the issuer (such as a tender agent) to purchase the bond, usually at par, at a certain time or times prior to maturity or upon the occurrence of specified events or conditions.
<b>Term Asset-Backed Securities Loan Facility (TALF)</b>	A Federal Reserve funding facility that issued loans with terms of up to five years to holders of eligible asset-backed securities (ABS). TALF was intended to assist the financial markets in accommodating the credit needs of consumers and businesses by facilitating the issuance of ABS collateralized by a variety of consumer and business loans. TALF was also intended to improve the market conditions for ABS more generally. The program was announced in November 2008. The facility ceased making loans collateralized by newly issued commercial mortgage-backed securities on June 30, 2010, and loans collateralized by all other types of TALF-eligible newly issued and legacy ABS on March 31, 2010.
<b>Term Auction Facility (TAF)</b>	The program in which the Federal Reserve made term funds, at either 28- or 84-day maturity, available to all eligible depository institutions through a regular auction that determined the interest rate. The facility was announced in December 2007, and the final auction was held in March 2010.
<b>Term Loan</b>	A loan granted by a commercial bank, insurance company, or commercial finance company for a fixed term.
<b>Thrift</b>	A financial institution that ordinarily possesses the same depository, credit, financial intermediary, and account transactional functions as a bank, but that is chiefly organized and primarily operates to promote savings and home mortgage lending rather than commercial lending. Also known as a savings bank, a savings association, or a savings and loan association.
<b>Time Deposits</b>	Deposits which the depositor, generally, does not have the right to withdraw funds before a designated maturity date without paying an early withdrawal penalty. A certificate of deposit is a time deposit.
<b>Trading Securities</b>	An accounting term for debt and equity securities that are bought and held principally for the purpose of selling them in the near term. Trading securities are accounted for at fair value, with unrealized gains and losses included in earnings.
<b>Tranche</b>	A claim on a portion of the cash flows from an underlying asset or pool of assets defined by its risk, maturity, or other characteristics.
<b>Transaction Account Guarantee Program (TAGP)</b>	One of two components of the FDIC’s Temporary Liquidity Guarantee Program. The TAGP provided liquidity by guaranteeing all funds held in certain noninterest-bearing transaction accounts at participating insured depository institutions through December 31, 2010.

<b>Tri-Party Repo</b>	A repurchase agreement in which a third party agent, such as a clearing bank, acts as an intermediary to facilitate the exchange of cash and collateral between the two counterparties. In addition to providing operational services to participants, the tri-party agents in the U.S. tri-party repo market extend large amounts of intraday credit to facilitate the daily settlement of tri-party repos.
<b>Troubled Asset Relief Program (TARP)</b>	A government program to address the financial crisis, authorized by the Emergency Economic Stabilization Act of 2008, allowing the government to purchase or insure up to \$700 billion in assets and equity from financial institutions.
<b>Underwriting Standards</b>	Terms, conditions, and criteria used to determine the extension of credit in the form of a loan or bond.
<b>Yield Curve</b>	A curve mapping the relationship between bond yields and their respective maturities.