

# Financial Services Jargon Buster



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# A

## Acquisition

A term used to describe the takeover or buying of a company by another.

## Active Management

A type of investment approach employed to generate returns in excess of the market.

## Alternative Investment Market (AIM)

Established by the London Stock Exchange. It is the junior market for smaller company shares.

## Annual Equivalent Rate (AER)

The annualised compound rate of interest applied to a cash deposit or to a loan. AER takes into account the timing of interest payments. For example, a quoted annual rate of 10% paid quarterly would have an AER of 10.38%. Also known as the Annual Effective Rate or Effective Annual Rate.

## Annual General Meeting (AGM)

Yearly meeting of shareholders. Mainly used to vote on dividends, appoint directors and approve financial statements.





## Approved Persons

Employees in controlled functions, who must be approved by the regulators, FCA or PRA.

## Articles of Association

The legal document which sets out the internal constitution of a company. Included within the Articles will be details of shareholder voting rights and company borrowing powers.

## Asset

Any item of economic or financial value owned by someone or a company.

## Auction

Sales system used by the Debt Management Office (DMO) when it issues gilts. Successful applicants pay the price they bid.

## Authorisation

Required status under FSMA 2000 for firms that wish to provide financial services.

## Authorised Corporate Director (ACD)

Fund manager for an OEIC.

## Authorised Unit Trust (AUT)

Unit trust which is freely marketable. Authorised by the FCA.

## Balance of Payments

A summary of all the transactions between a country and the rest of the world. The difference between a country's imports and exports.

## Balance Sheet

A summary of a company's assets (what it owns), liabilities (what it owes), and owner's equity at the end of a financial year.

## Bank of England

The UK's central bank. Implements economic policy decided by the Treasury and determines interest rates.

## Bankrupt

An individual is bankrupt (or insolvent) if he or she is unable to pay their debts when they fall due.

## Bear

An investor who believes that the price of a security or the overall market will decline so he/she sells hoping to buy them back at a lower price at a later date.

## Bearer Securities

Those whose ownership is evidenced by the mere possession of a certificate. Ownership can therefore pass from hand to hand without any formalities.



E

## Bull

The opposite of a bear. An investor who believes the market or the price of a security will rise and makes investment decisions accordingly (buys shares in the hope of selling them at a higher price later).

## Broker

An individual who handles orders to buy and sell from investors. Brokers often charge a commission for the work they perform and must be registered with the exchanges with which they trade.

## Bonus Issue

A free issue of shares to existing shareholders. No money is paid. The share price falls pro rata. Also known as a Capitalisation or Scrip Issue.

## Bonds

Interest bearing securities which entitle holders to annual interest and repayment at maturity. Commonly issued by both companies and governments.

## Beneficiaries

The beneficial owners of trust property, or those who inherit under a will.

## Bid Price

Price at which dealers buy stock. It is also the price quoted by unit trusts that are dual-priced for sales of units.



# C

## CAC 40

Index of the prices of 40 major French company shares.

## Call Option

Option giving its buyer the right to buy an asset at an agreed price.

## Capital

Cash and assets used to generate income or make an investment.

## Capital Appreciation / Capital Gain

An increase in the market value of a security (ie, the value of the asset is greater than the price they were bought for).

## Capital Gains Tax (CGT)

Tax payable by individuals on profit made on the disposal of certain assets.

## Capitalisation Issue

See Bonus Issue.

## Central Bank

Central banks typically have responsibility for setting a nation's or a region's short-term interest rate, controlling the money supply, acting as banker and lender of last resort to the banking system and managing the national debt.



## *Certificated*

Ownership designated by certificate.

## *Certificates of Deposit (CDs)*

Certificates issued by a bank as evidence that interest-bearing funds have been deposited with it. CDs are traded within the money market.

## *City Code (on Takeovers and Mergers)*

Rulebook developed by the Panel on Takeovers and Mergers to regulate conduct during a takeover.

## *Clean Price*

The quoted price of a bond, which excludes any interest that has accrued from the last interest payment date and is known as the 'clean' price. Accrued interest is added on afterwards and the price is then known as the 'dirty' price.

## *Collective Investment Scheme*

A fund run by a professional manager that enables investors to pool their money. The manager selects the investments and the investors share in any increase (or decrease) in their value.





# C



## Closed-Ended

Collective Investment Schemes organised as companies which are a fixed size as determined by their share capital. Commonly used to distinguish investment trusts (closed-ended) from unit trusts and OEICs (open-ended).

## Closing

Reversing an original position by, for example, selling what you have previously bought.

## Closing Price

The price of a security, such as a share or a bond, at the end of the trading day.

## Commercial Paper (CP)

Money market instrument issued by large corporates.

## Commission

A fee for acting as agent or broker.

## Committee of European Securities Regulators (CESR)

Represented regulatory bodies from across the EU. Now replaced by the European Securities and Markets Authority (ESMA).

## Commodity

Items including sugar, wheat, oil and copper. Derivatives of commodities are traded on exchanges (eg, oil futures on ICE Futures).

## Competition

## Commission (CC)

Government agency that decides whether or not a proposed takeover should be allowed on competition grounds.

## Consortium

A group of people, companies or banking institutions participating in a joint venture for mutual benefit. A consortium allows the companies to conduct operations that they would not be able to do individually. However, a consortium is not a merger as the companies remain independent.

## Contract

A standard unit of trading in derivatives.

## Controlled

### Functions

Job roles which require the employee to be approved by the FCA. There are five groups of controlled functions, four of which are significant influence functions.

## Convertible Bond

A bond that is convertible, at the investor's choice, into a predetermined amount of the company's shares, at certain times during the life of the bond.

## Correction

A quick reverse movement in the price of a stock, share, bond, commodity or index. Market corrections often happen when prices are too low or too high, and they are usually short-term and necessary for the stability of the security.

## Coupon

Amount of interest paid on a bond.

## Credit Creation

Expansion of loans which increases the money supply.

## Credit Rating

An assessment of a bond issuer's ability to pay the interest and repay the capital on the bonds. The best rating is AAA. The higher the rating, the lower the assumed risk of default.

## Credit Risk

The likelihood of a borrower being unable to pay the interest or repay the debt.

## CREST

Central Securities Depository system used to settle transactions and hold UK securities in electronic (dematerialised) form.

## Currency

Any form of money that circulates in an economy as an accepted means of exchange for goods and services.

# D



## Data Protection Act

Legislation regulating the use of client data. The Act controls how personal information is used by organisations.

## DAX

German shares index, comprising the largest companies (30 shares).

## Dealer

An individual or firm acting in order to buy or sell a security for its own account and risk.

## Debt Management Office (DMO)

The agency responsible for issuing Government debt on behalf of the UK Treasury.

## Default

The situation where a borrower has failed to meet the requirements of their borrowing, for example by failing to pay the interest due.

## Dematerialised (Form)

System where securities are held electronically without certificates.



## Deposit

A deposit is a sum of money held at a financial institution on behalf of an account holder for safekeeping.

## Derivatives

Forwards, swaps, options and futures. Their price is derived from an underlying asset.

## Dilution Levy

An additional charge levied on investors buying or selling units in a single-priced fund to offset any potential effect that large purchases or sales can have on the value of the fund.

## Dirty Price

The price quoted for a gilt excludes any interest that has accrued from the last interest payment date and is known as the 'clean' price. Accrued interest is added on afterwards and the price is then known as the 'dirty' price.

## Diversification

Investment strategy of spreading risk by investing in a range of investments.

## Dividend

Distribution of profits by a company.

## Dividend Yield

Most recent dividend expressed as a percentage of current share price.

## Dow Jones Index

Major share index in the USA, based on the prices of 30 major company shares.

## Dual Pricing

Involves using the market's bid and offer prices of the underlying assets to produce separate prices for buying and selling of shares/units in the fund.

# E

## *Economic and Monetary Union (EMU)*

System adopted by most members of the European Union where their individual currencies were abolished and replaced by the euro.

## *Economic Cycle*

The course an economy conventionally takes as economic growth fluctuates over time. Also known as the Business Cycle.

## *Economic Growth*

The growth of GDP or GNP expressed in real terms, usually over the course of a calendar year. Often used as a barometer of an economy's health.

## *Effective Annual Rate*

The annualised compound rate of interest applied to a cash deposit or loan. Also known as the Annual Equivalent Rate (AER).

## *Equity*

Another name for shares. It can also be used to refer to the amount by which the value of a house exceeds any mortgage or borrowings secured on it.

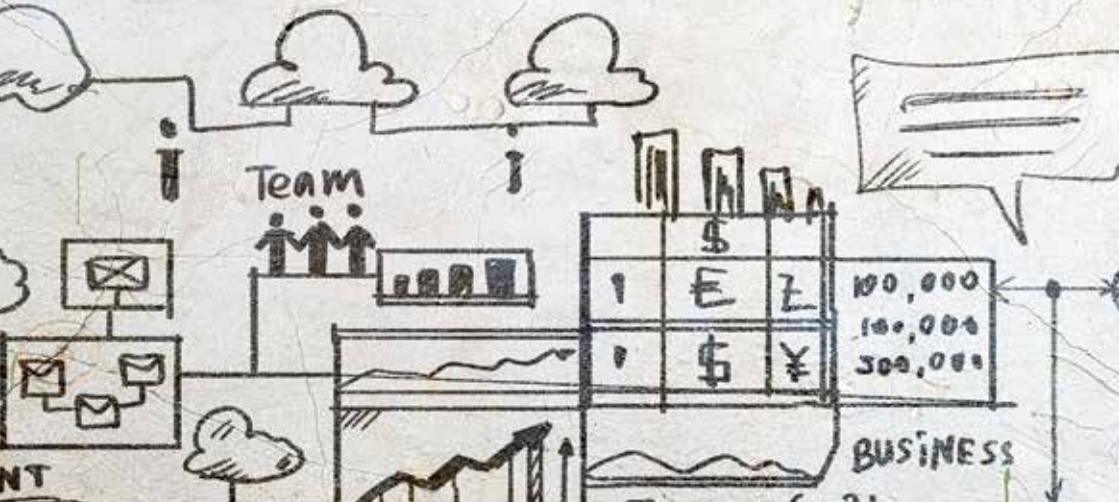
## *Eurobond*

An interest-bearing bond issued internationally. It is denominated in a currency not native to the country where it is issued.





# F



## Face Value

Also known as the par or nominal value, this is the amount that needs to be repaid on a bond. It is also the amount that is used to calculate the coupon payment (face value x coupon percentage = coupon payment).

## Financial Conduct Authority

One of the bodies that replaced the FSA in 2013 and which is responsible for for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets.

## Financial Services and Markets Act 2000 (FSMA 2000)

Legislation which provides the framework for regulating financial services.

## Financial Services Authority (FSA)

Until April 2013, the UK regulator of the financial services sector created by FSMA 2000. See Financial Conduct Authority and Prudential Regulation Authority.



## Financial Services and Markets Tribunal

Judicial body to which firms and individuals can appeal concerning FCA regulatory decisions.

## Fiscal Policy

The use of government spending, taxation and borrowing policies to either boost or restrain domestic demand in the economy so as to maintain full employment and price stability.

## Fiscal Years

Fiscal years run from 6 April to 5 April. They are the periods of assessment for income tax and capital gains tax.

## Fit and Proper

FSMA 2000 requires that every firm conducting financial services business must be 'fit and proper'.

## Fixed-Interest Security

A tradeable negotiable instrument, issued by a borrower for a fixed term, during which a regular and predetermined fixed rate of interest, based upon a nominal value, is paid to the holder until it is redeemed and the principal is repaid.

# F

## Fixed-Rate Borrowing

Borrowing where a set interest rate is paid.

## Floating Rate Notes (FRNs)

Debt securities issued with a coupon periodically referenced to a benchmark interest rate, such as LIBOR.

## Foreign Equity

Shares of foreign companies being traded in London.

## Foreign Exchange Market (Forex)

A market for the trading of foreign currencies.

## Forex

Abbreviation for foreign exchange trading.

## Forward

A derivatives contract that creates a legally binding obligation between two parties for one to buy and the other to sell a prespecified amount of an asset at a prespecified price on a prespecified future date. As individually negotiated contracts, forwards are not traded on a derivatives exchange.

## Forward Exchange Rate

An exchange rate set today, embodied in a forward contract, that will apply to a foreign exchange transaction at some prespecified point in the future.

## FTSE 100

Main UK share index of 100 leading shares ('Footsie').

## FTSE 250

UK share index based on the 250 shares immediately below the top 100.

## FTSE 350

Index combining the FTSE 100 and FTSE 250 indices.

## FTSE All Share Index

Index comprising around 98% of UK-listed shares by value.

## Full Listing

Those public limited companies (plcs) admitted to the London Stock Exchange's (LSE) official list. Companies seeking a full listing on the LSE must satisfy the UK Listing Authority's (UKLA) stringent listing requirements and continuing obligations once listed.

## Fund

A collective investment scheme where money is combined and invested in a portfolio of shares with a common investment purpose.

## *Fund Manager*

Firm or individual that invests money on behalf of clients.

## *Fund Supermarket*

An internet-based service that provides a convenient way of investing in collective investment funds by allowing a variety of funds to be purchased from a number of different management groups in one place.

## *Future*

An agreement to buy or sell an item at a future date, at a price agreed today. Differs from a forward in that it is a standardised amount and therefore the contract can be traded on an exchange.

## *Futures and Options*

## *Fund (FOF)*

Type of authorised unit trust which invests partially in derivatives.





G



## Gilt-Edged Market Maker (GEMM)

A firm recognised by the DMO as a primary dealer in conventional or index-linked gilts.

## Gilt-Edged Security (Gilt)

UK government bond.

## Gross

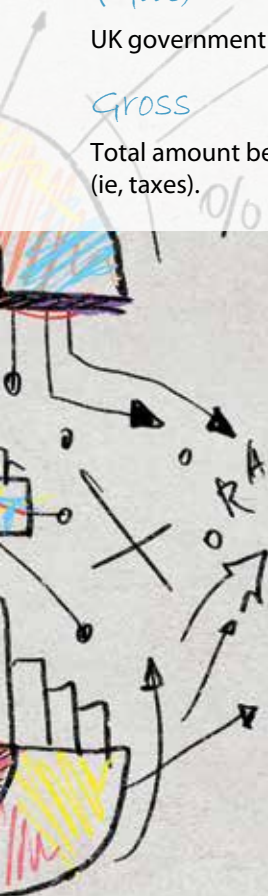
Total amount before deductions (ie, taxes).

## Gross Domestic Product (GDP)

A measure of a country's output.

## Gross Redemption Yield (GRY)

The annual compound return from holding a bond to maturity, taking into account both interest payments and any capital gain or loss at maturity.



## Harmonised Index of Consumer Prices (HICP)

Standard measurement of inflation throughout the European Union.

## Hedge Fund

A high-risk investment vehicle which uses advanced and aggressive investment financial techniques in order to make maximum gains.





## Hedging

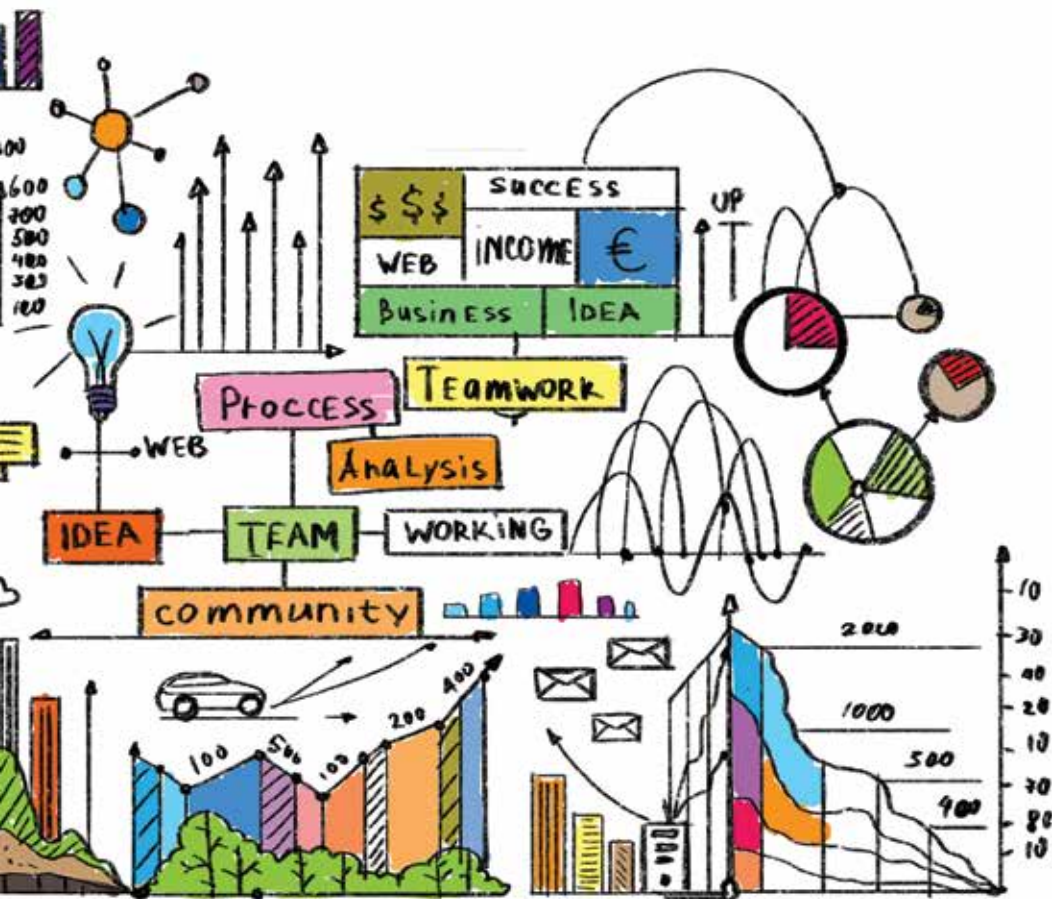
A technique employed to reduce the impact of adverse price movements in financial assets held. Often uses derivatives to achieve this aim.

## HM Treasury

Her Majesty's Treasury. The UK government department responsible for the country's taxes, finance and economy.

## Holder

Investor owning a financial asset such as a bond, equity, cash or derivative instrument.



## Income Tax

Tax on savings and income, excluding the 'personal allowance' amount that an individual can earn each year tax-free. The amount you pay is calculated using different tax rates and tax bands, which change periodically.

For 2015-16 these are:

Tax Band	Tax Rate
Basic Rate £0 - £31,785	20%
Higher Rate £31,786 - £150,000	40%
Additional Rate over £150,000	45%

## Independent Financial Adviser (IFA)

A financial adviser who is not tied to the products of any one product provider and is duty-bound to give clients best advice and offer them the option of paying for advice. IFAs must establish the financial planning needs of their clients through a personal fact-find, and satisfy these needs with the most appropriate products offered in the marketplace.

## Index

A statistical measure of the changes in a selection of stocks representing a portion of the overall market.

## Individual Savings Account (ISA)

Savings scheme introduced in 1999 which provides a wrapper in which cash, stocks and shares can be held and benefit from tax concessions.

## Inflation

An increase in the general level of prices.

## Inheritance Tax (IHT)

Tax on the value of an estate when a person dies.

## Initial Public Offering (IPO)

A new issue of ordinary shares, whether made by an offer for sale, an offer for subscription or a placing. Also known as a new issue.

## Insider Dealing

Criminal offence by people with unpublished price-sensitive information who deal, advise others to deal or pass the information on.

## Insolvency

A company is insolvent if it either does not have enough assets to cover its debts, or if it is unable to cover its debts as they fall due.



## Inter continental Exchange (ICE)

ICE operates regulated global futures exchanges and over-the-counter (OTC) markets for agricultural, energy, equity index and currency contracts, as well as credit derivatives. ICE conducts its energy futures markets via ICE Futures Europe, which is based in London.

## Interest

The price paid for borrowing money. It is expressed as a percentage rate over a period of time, eg, 5% per annum.

## In-the-Money

Call option where the exercise price is below current market price (or put option where exercise price is above).

## Investment Bank

Business that specialises in raising debt and equity for companies.

## Investment Company with variable Capital

Alternative term for an OEIC.

## Investment Trust (Company)

A company, not a trust, which invests in a diversified range of investments.

## Irredeemable Gilt

A gilt with no redemption date. Investors receive interest in perpetuity.



# L

## Leverage

A measure of the extent to which a company finances itself from debt, relative to equity.

## Liability

An obligation that legally binds an individual or company to settle a debt or a payment.

## LIFFE CONNECT

Order-driven trading system on NYSE Liffe.

## Limited Company

A privately owned company with limited liability amongst its owners.

## Limited Liability

When the liability of the shareholders is limited to the nominal value of their shares. It is therefore a limitation of loss to what has already been invested.

## Liquidity

The ease with which an item can be traded on the market. Liquid markets are described as 'deep'.

## Liquidity Risk

The risk that shares may be difficult to sell at a reasonable price.

## Listing

Companies whose securities are listed on the London Stock Exchange and available to be traded.





## Lloyd's of London

World's largest insurance market.

## Loan

A form of debt where a borrower receives a certain amount of money from a lender. The borrower agrees to pay a contracted rate of interest to the lender and also agrees a date on which the loan will be repaid.

## Loan Stock

A corporate bond issued in the domestic bond market without any underlying collateral, or security.

## London InterBank Offered Rate (LIBOR)

A benchmark money market interest rate.

## London Metal Exchange (LME)

Market for trading in derivatives of certain metals, such as copper, zinc and aluminium.

## London Stock Exchange (LSE)

Main UK market for securities.

## Long Position

The position following the purchase of a security or buying a derivative.

# M

## Market

All exchanges are markets – electronic or physical meeting place where assets are bought or sold.

## Market

### Capitalisation

Total market value of a company's shares. The share price multiplied by the number of shares in issue.

## Market Maker

An LSE member firm which is obliged to offer to buy and sell securities in which it is registered throughout the mandatory quote period. In return for providing this liquidity to the market, it can make its profits through the differences at which it buys and sells.

## Market Price

Price of a share as quoted on an exchange.

## Maturity

Date when the capital on a bond is repaid.

## Memorandum of Association

The legal document that principally defines a company's powers, or objects, and its relationship with the outside world. The Memorandum also details the number and nominal value of shares the company is authorised to, and has, issued.

## Merger

The combining of two or more companies into one new entity.

## Mixed Economy

Economy which works through a combination of market forces and government involvement.

## Monetary Policy

The setting of short-term interest rates by a central bank in order to manage domestic demand and achieve price stability in the economy.

## Monetary Policy Committee (MPC)

Committee run by the Bank of England which sets interest rates.

## Money laundering

The processing of criminally obtained money where the aim is to disguise their illegal origin. There are three stages:

1. Placement of illegal funds into the financial system
2. Layering: moving and converting the funds to distance them from the source
3. Integrating: re-introducing the funds into the legitimate economy through investment in property, businesses or assets



## Mortgages

A mortgage, or more precisely a mortgage loan, is a long-term loan used to finance the purchase of real estate (eg, a house). Under the Mortgage Agreement, the borrower agrees to make a series of payments back to the lender. The money lent by the bank (or building society) is secured against the value of the property: if the payments are not made by the borrower, the lender can take back the property.

## Mutual Fund

A type of collective investment scheme found in the US.



2



## Names

Participants at Lloyd's of London who form syndicates to write insurance business. Both individuals and companies can be names.

## NASDAQ

National Association of Securities Dealers Automated Quotations. US market specialising in the shares of technology companies.

## NASDAQ Composite

NASDAQ stock index.

## National Debt

A government's total outstanding borrowing resulting from financing successive budget deficits, mainly through the issue of government-backed securities.

## National Savings and Investments (NS&I)

Government agency that provides investment products for the retail market.

## Nikkei 225

The main Japanese share index, composed of shares in the largest 225 companies listed on the Japanese stock exchange.

## Nominal Value

The amount of a bond that will be repaid on maturity. Also known as face or par value.

## Nominated Adviser (NOMAD)

Firm which advises AIM companies on their regulatory responsibilities.

## NYSE Euronext (NYX)

European stock exchange network formed by the merger of the Paris, Brussels, Amsterdam and (later) Lisbon exchanges; has since merged with the New York Stock Exchange.

## NYSE Liffe

The UK's principal derivatives exchange for trading financial and soft commodity derivatives products. Owned by NYSE Euronext.

## Offer Price

Price at which dealers sell stock. It is also the price quoted by unit trusts that are dual-priced for purchases of units.

## Office of Fair Trading (OFT)

Government agency that refers proposed takeovers to the Competition Commission.

## Open

To initiate a transaction, eg, an opening purchase or sale of a future. Normally reversed by a closing transaction.

## Open Economy

Country with no restrictions on trading with other countries.

## Open-Ended

Type of investment such as OEICs or unit trusts which can expand without limit.

## Open-Ended Investment Company (OEIC)

Collective investment vehicle similar to a unit trust. Alternatively described as an ICVC (Investment Company with Variable Capital).

## Open Outcry

Trading system used by some derivatives exchanges. Participants stand on the floor of the exchange and call out transactions they would like to undertake.

## Option

A derivative giving the buyer the right, but not the obligation, to buy or sell an asset.

## Ordinary Shares

Most common form of share. Holders may receive dividends if the company is profitable.

## Out-of-the-Money

Call option where the exercise or strike price is above the market price or a put option where it is below.

## Overdraft

A form of borrowing from a bank where the lending bank can demand repayment at any time.

## Over-the-Counter (OTC)

Transactions that are undertaken away from an exchange.

## Over-the-Counter (OTC)

## Derivatives

Derivatives that are not traded on a derivatives exchange, owing to their non-standardised contract specifications.





# P



## Panel on Takeovers and Mergers (POTAM or PTM)

A self-regulatory body that produces the City Code regulating takeovers.

## Passive Management

An investment approach that aims to track the performance of a stock market index. Employed in those securities markets that are believed to be price-efficient.

## Pawnbroker

Business that provides loans to individuals. The pawnbroker takes an item of security (such as jewellery) in exchange for the loan. The loan needs to be repaid for the borrower to reclaim the item.

## Payday Loan

Very short-term loan that needs to be repaid on the borrower's next payday, usually the end of the month. Such loans are often very expensive.

### Pension Fund

A fund set up by a company or government to invest the pension contributions of members and employees to be paid out at retirement age.

### Personal Equity Plan (PEP)

Investment scheme in which investors bought shares through a PEP manager. Income and gains are tax-free. New PEPs have not been allowed since April 1999 and existing ones became ISAs from 6 April 2008.

### Personal Loan

A loan taken out by an individual where the precise purpose for which the money will be used is not detailed in the loan agreement.

### Personal Pension Scheme

A retirement saving scheme set up by an individual, rather than set up by the individual's employer.

### Platform

Platforms are online services such as fund supermarkets and wraps that are used by intermediaries to view and administer their investment clients' portfolios.

# P

## Portfolio

A selection of investments.

## Pre-Emption Rights

The rights accorded to ordinary shareholders under company law to subscribe for new ordinary shares issued by the company in which they have the shareholding, for cash, before the shares are offered to outside investors.

## Preference Share

Shares which pay fixed dividends. Do not have voting rights, but do have priority over ordinary shares in default situations.

## Premium

The regular payment made to an insurance company for insurance against a range of risks, or, in relation to derivatives, the amount of cash paid by the holder of an option to the writer in exchange for conferring a right.

## Premium Bond

National Savings & Investments bonds that pay prizes each month. Winnings are tax-free.

## Primary Market

The function of a stock exchange in bringing new securities to the market and raising funds.

## Protectionism

The economic policy of restraining trade between countries by imposing methods such as tariffs and quotas on imported goods.

## Proxy

Appointee who votes on a shareholder's behalf at company meetings.

## Prudential Regulation Authority (PRA)

The UK body that is responsible for prudential regulation of all deposit-taking institutions, insurers and investment banks.

## Public Limited Company (PLC)

A company whose shares can be owned by the general public and are usually bought and sold, through a regulated stock exchange (eg, London Stock Exchange).

## Public Sector Net Cash Requirement (PSNCR)

Shortfall of government revenue compared to government expenditure.

## Put Option

Option where buyer has the right to sell an asset.



Q

## Quote-Driven

Dealing system driven by securities firms who quote buying and selling prices.



# R

## Real Estate Investment Trust (REIT)

An investment trust that specialises in investing in commercial property.

## Redeemable Security

A security issued with a known maturity, or redemption, date.

## Redemption

The repayment of principal to the holder of a redeemable security.

## Redemption Date

The date at which a bond issuer has to repay the face value of the bond.

## Redemption Yield

See Gross Redemption Yield.

## Registrar

An official of a company who maintains the share register.

## Reinsurance

The term for insurance taken out by an insurer on a policy that it has underwritten. The purpose is to spread the risk of a single large policy among a number of other insurers.

## Repo

The sale and repurchase of bonds between two parties: the repurchase being made at a price and date fixed in advance.



## Resolution

Proposal on which shareholders vote.

## Retail Bank

Organisation that provides banking facilities to individuals and small/medium businesses.

## Retail Prices Index (RPI)

Index that measures the movement of prices.

## Return

A measure of the financial reward on an investment, such as dividends and capital growth on a share. Return is always linked to risk: to have the possibility of a bigger reward, a bigger risk will need to be taken.

## Rights Issue

The issue of new ordinary shares to a company's shareholders in proportion to each shareholder's existing shareholding, usually at a price deeply discounted to that prevailing in the market.

## RPIX

Index that shows the underlying rate of inflation, excluding the impact of mortgage payments.



### *Scrip Issue*

See Bonus Issue.

### *Secondary Market*

Market place for trading in existing securities.

### *Secured*

The situation where a lender (such as a bank or a pawnbroker) takes something of value. If the borrower fails to repay the debt, the lender is able to keep and sell the item.

### *Securities*

Bonds and equities.

### *Security*

A bank has taken security for its loan when it holds something of value. The most obvious example is where a bank takes security in the form of property ownership on a mortgage.

### *Settlor*

The creator of a trust.

### *Share Capital*

The nominal value of a company's equity or ordinary shares. A company's authorised share capital is the nominal value of equity the company may issue while issued share capital is that which the company has issued. The term share capital is often extended to include a company's preference shares.

### *Shareholders*

Those who own the shares of the company. Essentially, they are the owners of the company.

### *Short Position*

The position following the sale of a security not owned, or selling a derivative.



### SICAV

Type of European collective investment scheme that is open-ended.

### Single Pricing

Refers to the use of the mid-market prices of the underlying assets to produce a single price.

### Special Resolution

Proposal put to shareholders requiring 75% of the votes cast.

### Spread

Difference between a buying (bid) and selling (ask or offer) price.

### Stamp Duty

Tax at 0.5% on the purchase of certain assets including certificated securities.

### Stamp Duty Land Tax (SDLT)

Tax charged on the purchase of properties and land above a certain value.

### Stamp Duty Reserve Tax (SDRT)

Stamp duty levied at 0.5% on purchase of dematerialised equities.

### Start-up

A business or company in its early stages. Typically start-ups are businesses that are not yet generating any profits.

### State-Controlled Economy

Country where all economic activity is controlled by the state.



### *State Pension Scheme*

A retirement scheme that is provided by the state. Such schemes are generally not particularly generous and need to be supplemented by other forms of income in retirement (such as personal pension schemes, or pension schemes provided by the employer).

### *Stock Exchange Automated Quotations (SEAQ)*

LSE screen display system where market makers display the prices at which they are willing to deal. Used mainly for fixed-income stocks and small cap shares.

### *Stock Exchange Electronic Trading Service (SETS)*

LSE's electronic order-driven trading system.

### *Stock Exchange Electronic Trading Service - quotes and crosses (SETSqx)*

A trading platform for securities less liquid than those traded on SETS. It combines a periodic electronic auction book with stand-alone quote-driven market making.



## STRIPS

The principal and interest payments of those designated gilts that can be separately traded as zero coupon bonds (ZCBs). STRIPS is the acronym for Separate Trading of Registered Interest and Principal of Securities.

## Swap

An over-the-counter (OTC) derivative whereby two parties exchange a series of periodic payments based on a notional principal amount over an agreed term. Swaps can take the form of interest rate swaps, currency swaps and equity swaps.

## Swinging Price

Where a single-priced investment fund moves its pricing as a result of a large number of buy or sell orders.

## Syndicate

Lloyd's names joining together to write insurance.



# T

## T+3

The three-day rolling settlement period over which all certificated deals executed on the London Stock Exchange's (LSE) SETS are settled.

## Takeover

When one company buys more than 50% of the shares of another.

## Tracker Fund

A fund that tries to mirror the performance of a chosen share index and is therefore a passive investment strategy.



## Third Party Administrator (TPA)

A firm that specialises in undertaking investment administration for other firms.

## Trade

The purchase and sale of a security. Trades in shares are often agreed on exchanges.





# W

## Wraps

A type of fund platform that enables advisers to take a holistic view of the various assets that a client has in a variety of accounts.

## Writer

Party selling an option. The writers receive premiums in exchange for taking the risk of being exercised against.

# X

## Xetra Dax

German shares index, comprising 30 shares.

# Y

## Yield

Income from an investment as a percentage of the current price.

# Z

## Zero Coupon Bonds (ZCBs)

Bonds issued at a discount to their nominal value that do not pay a coupon but which are redeemed at par on a prespecified future date.

# U

## Underlying

Asset from which a derivative is derived.

## Unit Trust

A system whereby money from investors is pooled together and invested collectively on their behalf into an open-ended trust.

## Unsecured

A loan provided to a borrower where the lender takes no security.



# Abbreviations

ABSS

Asset-Backed Securities

ACD

Authorised Corporate Director

AER

Annual Effective (or Equivalent)  
Rate

AGM

Annual General Meeting

AIC

Association of Investment  
Companies

AIM

Alternative Investment Market

APR

Annual Percentage Rate

AUT

Authorised Unit Trust

BBA

British Bankers' Association

BIS

Bank for International Settlements

BoE

Bank of England

CBOE

Chicago Board Options Exchange

CD

Certificate of Deposit

CDD

Customer Due Diligence

CESR

Committee of European Securities  
Regulators

CGT

Capital Gains Tax

CMA

Cash Memorandum Account

CP

Commercial Paper

CPI

Consumer Prices Index

CTF

Child Trust Fund

DMO

Debt Management Office

DJIA

Dow Jones Industrial Average

ECB

European Central Bank

ECX

European Climate Exchange

EGM

Extraordinary General Meeting

ESMA

European Securities and Markets  
Authority

ETD

Exchange-Traded Derivative

ETF

Exchange-Traded Fund

EU

European Union

FATF

Financial Action Task Force

FCA

Financial Conduct Authority

FOF

Futures and Options Fund

FED

Federal Reserve

FOS

Financial Ombudsman Service

FPC

Financial Policy Committee

FSA

Financial Services Authority

FSAP

Financial Securities Action Plan

FSCS

Financial Services Compensation  
Scheme

FRN

Floating Rate Note

FSMA

Financial Services and Markets Act  
(2000)

GDP

Gross Domestic Product

HICP

Harmonised Index of Consumer  
Prices

HMRC

Her Majesty's Revenue & Customs



ICSD

International Central Securities  
Depository

ICVC

Investment Companies with  
Variable Capital

IHT

Inheritance Tax

ICE

Intercontinental Exchange

ICMA

International Capital Markets  
Association

IFA

Independent Financial Adviser

IMA

Investment Management  
Association

IOU

I Owe You

IPO

Initial Public Offer

ISA

Individual Savings Account

JISA

Junior Individual Savings Account

JMLSG

Joint Money Laundering Steering  
Group

LIBOR

London InterBank Offered Rate

LME

London Metal Exchange

LSE

London Stock Exchange

MAD

Money Advice Service

MIFID

Markets in Financial Instruments  
Directive

MLRO

Money Laundering Reporting Officer

MPC

Monetary Policy Committee

MTS

An electronic exchange for trading  
European government bonds

NAV

Net Asset Value

NYSE

New York Stock Exchange

NYX

NYSE Euronext

OEIC

Open-Ended Investment Company

OTC

Over-the-Counter

PIBS

Permanent Interest-Bearing Shares

PLC

Public Limited Company

POCA

Proceeds of Crime Act 2002

PRA

Prudential Regulation Authority

PSNCR

Public Sector Net Cash Requirement

REIT

Real Estate Investment Trust

RPI

Retail Price Index

RPIX

Retail Prices Index (excluding mortgages)

S2P

State Second Pension

SDD

Simplified Due Diligence

SSAS

Small Self-Administered Scheme

SDLT

Stamp Duty Land Tax

SDRT

Stamp Duty Reserve Tax

SEAQ

Stock Exchange Automated Quotation system

SETS

Stock Exchange Electronic Trading Service

SETSqx

Stock Exchange Electronic Trading Service – Quotes and Crosses

SICAV

Société D'Investissement à Capital Variable

SIPP

Self-Invested Personal Pension

SOCA

Serious Organised Crime Agency

STRIPS

Separate Trading of Registered Interest and Principal of Securities

SWIFT

Society of Worldwide Interbank  
Financial Telecommunication

TSE

Tokyo Stock Exchange

UCITS

Undertakings for Collective  
Investment in Transferable  
Securities

UKLA

United Kingdom Listing Authority

VAT

Value Added Tax

VCT

Venture Capital Trust

xd

Ex-Dividend

ZCB

Zero Coupon Bond

ZDP

Zero Dividend Preference Shares

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