BANKING TERMS

The basic banking terms are frequently asked in all the Bank Interviews. These terms are useful not only for your interview but also for your general knowledge. Knowledge and Understanding of Important Banking terms play a very crucial role in the final selection. Also these banking terms are useful for Banking Aspirants, Economics & Commerce students, MBA aspirants and students preparing for other similar level Exams.

Knowing basic banking terms not only gives you an edge over other candidates but also shows your interest level for the job.

Account Agreement: The contract governing your open-end credit account, it provides information on changes that may occur to the account.

Account History: The payment history of an account over a specific period of time, including the number of times the account was past due or over limit.

Account Holder: Any and all persons designated and authorized to transact business on behalf of an account. Each account holder's signature needs to be on file with the bank. The signature authorizes that person to conduct business on behalf of the account.

Acquiring Bank: In a merger, the bank that absorbs the bank acquired.

Accrued interest: Interest due from issue date or from the last coupon payment date to the settlement date. Accrued interest on bonds must be added to their purchase price.

Adjustable-Rate Mortgages (ARMS): Also known as variable-rate mortgages. The initial interest rate is usually below that of conventional fixed-rate loans. The interest rate may change over the life of the loan as market conditions change. There is typically a maximum (or ceiling) and a minimum (or floor) defined in the loan agreement. If interest rates rise, so does the loan payment. If interest rates fall, the loan payment may as well.

Arbitrage: Buying a financial instrument in one market in order to sell the same instrument at a higher price in another market.

Adverse Action: Under the Equal Credit Opportunity Act, a creditor's refusal to grant credit on the terms requested, termination of an existing account, or an unfavorable change in an existing account.

Adverse Action Notice: The notice required by the Equal Credit Opportunity Act advising a credit applicant or existing debtor of the denial of their request for credit or advising of a change in terms considered unfavorable to the account holder.

AER: Annual earnings rate on an investment.

Affidavit: A sworn statement in writing before a proper official, such as a notary public.

Alteration: Any change involving an erasure or rewriting in the date, amount, or payee of a check or other negotiable instrument.

Amortization: The process of reducing debt through regular installment payments of principal and interest that will result in the payoff of a loan at its maturity.

Anytime Banking: With introduction of ATMs, Tele-Banking and internet banking, customers can conduct their business anytime of the day and night. The 'Banking Hours' is not a constraint for transacting banking business.

Anywhere Banking : Refers to banking not only by ATMs, Tele-Banking and internet banking, but also to core banking solutions brought in by banks where customer can deposit his money, cheques and also withdraw money from any branch connected with the system. All major banks in India have brought in core banking in their operations to make banking truly anywhere banking.

Annual Percentage Rate (APR): The cost of credit on a yearly basis, expressed as a percentage.

Annual Percentage Yield (APY): A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a 365-day year.

Annuity : A life insurance product which pays income over the course of a set period. Deferred annuities allow assets to grow before the income is received and immediate annuities (usually taken from a year after purchase) allow payments to start from about a year after purchase.

APR: The annual percentage rate of interest, usually on a loan or mortgage, usually displayed in brackets and representing the true cost of the loan or mortgage as it shows any additional payments beyond the interest rate.

Application: Under the Equal Credit Opportunity Act (ECOA), an oral or written request for an extension of credit that is made in accordance with the procedures established by a creditor for the type of credit requested.

Appraisal: The act of evaluating and setting the value of a specific piece of personal or real property.

Ask Price: The lowest price at which a dealer is willing to sell a given security.

Asset-Backed Securities (ABS): A type of security that is backed by a pool of bank loans, leases, and other assets. Most ABS are backed by auto loans and credit cards – these issues are very similar to mortgage-backed securities.

At-the-money: The exercise price of a derivative that is closest to the market price of the underlying instrument.

ATM: ATMs are Automatic Teller Machines, which do the job of a teller in a bank through Computer Network. ATMs are located on the branch premises or off branch premises. ATMs are useful to dispense cash, receive cash, accept cheques, give balances in the accounts and also give mini-statements to the customers.

Authorization: The issuance of approval, by a credit card issuer, merchant, or other affiliate, to complete a credit card transaction.

Automated Clearing House (ACH): A computerized facility used by member depository institutions to electronically combine, sort, and distribute inter-bank credits and debits. ACHs process electronic transfers of government securities and provided customer services, such as direct deposit of customers' salaries and government benefit payments (i.e., social security, welfare, and veterans' entitlements), and preauthorized transfers.

Automated Teller Machine (ATM): A machine, activated by a magnetically encoded card or other medium that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals, and transferring funds between accounts.

Automatic Bill Payment: A checkless system for paying recurring bills with one authorization statement to a financial institution. For example, the customer would only have to provide one authorization form/letter/document to pay the cable bill each month. The necessary debits and credits are made through an Automated Clearing House (ACH).

Availability Date: Bank's policy as to when funds deposited into an account will be available for withdrawal.

Availability Policy: Bank's policy as to when funds deposited into an account will be available for withdrawal.

Available Balance: The balance of an account less any hold, uncollected funds, and restrictions against the account.

Available Credit: The difference between the credit limit assigned to a cardholder account and the present balance of the account.

Banking: Accepting for the purpose of lending or investment of deposits of money from Public, Repayable on demand or otherwise and withdraw able by cheques, drafts, order, etc.

Bank Ombudsman: Bank Ombudsman is the authority to look into complaints against Banks in the main areas of collection of cheque / bills, issue of demand drafts, non-adherence to prescribed hours of working, failure to honour guarantee / letter of credit commitments, operations in deposit accounts and also in the areas of loans and advances where banks flout directions / instructions of RBI. This Scheme was announced in 1995 and is functioning with new guidelines from 2007. This scheme covers all scheduled banks, the RRBs and co-operative banks.

Bancassurance: Bancassurance refers to the distribution of insurance products and the insurance policies of insurance companies which may be life policies or non-life policies like home insurance - car insurance, medi-policies and others, by banks as corporate agents through their branches located in different parts of the country by charging a fee.

Banker's Lien: Bankers lien is a special right of lien exercised by the bankers, who can retain goods bailed to them as a security for general balance of account. Bankers can have this right in the absence of a contract to the contrary.

Basel-II: The Committee on Banking Regulations and Supervisory Practices, popularity known as Basel Committee, submitted its revised version of norms in June, 2004. Under the revised accord the capital requirement is to be calculated for credit, market and operational risks. The minimum requirement continues to be 8% of capital fund (Tier I & II Capital) Tier II shall continue to be not more than 100% of Tier I Capital.

Brick & Mortar Banking: Brick and Mortar Banking refers to traditional system of banking done only in a fixed branch premises made of brick and mortar. Now there are banking channels like ATM, Internet Banking, tele banking etc.

Business of Banking : Accepting deposits, borrowing money, lending money, investing, dealing in bills, dealing in Foreign Exchange, Hiring Lockers, Opening Safe Custody Accounts, Issuing Letters of Credit, Travelers’ Cheques, doing Mutual Fund business, Insurance Business, acting as Trustee or doing any other business which Central Government may notify in the official Gazette.

Bouncing of a cheque: Where an account does not have sufficient balance to honour the cheque issued by the customer, the cheque is returned by the bank with the reason "funds insufficient" or "Exceeds arrangement”. This is known as 'Bouncing of a cheque’.

Basis Point: One hundredth of 1%. A measure normally used in the statement of interest rate e.g., a change from 5.75% to 5.81% is a change of 6 basis points.
Bear Markets: Unfavorable markets associated with falling prices and investor pessimism.

Bid-ask Spread: The difference between a dealers’s bid and ask price.

Bid Price: The highest price offered by a dealer to purchase a given security.

Blue Chips: Blue chips are unsurpassed in quality and have a long and stable record of earnings and dividends. They are issued by large and well-established firms that have impeccable financial credentials.

Bond: Publicly traded long-term debt securities, issued by corporations and governments, whereby the issuer agrees to pay a fixed amount of interest over a specified period of time and to repay a fixed amount of principal at maturity.

Book Value: The amount of stockholders’ equity in a firm equals the amount of the firm’s assets minus the firm’s liabilities and preferred stock.

Broker: Individuals licensed by stock exchanges to enable investors to buy and sell securities.

Brokerage Fee: The commission charged by a broker.

Bull Markets: Favorable markets associated with rising prices and investor optimism.

Call Option: The right to buy the underlying securities at a specified exercise price on or before a specified expiration date.

Callable Bonds: Bonds that give the issuer the right to redeem the bonds before their stated maturity.

Capital Gain: The amount by which the proceeds from the sale of a capital asset exceed its original purchase price.

Capital Markets: The market in which long-term securities such as stocks and bonds are bought and sold.

Certificate of Deposits (CDs): Savings instrument in which funds must remain on deposit for a specified period and premature withdrawals incur interest penalties.

Certificate of Deposit:. Certificate of Deposits are negotiable receipts in bearer form which can be freely traded among investors. This is also a money market instrument,issued for a period ranging from 7 days to f one year .The minimum deposit amount is Rs. 1 lakh and they are transferable by endorsement and delivery.

Cheque: Cheque is a bill of exchange drawn on a specified banker ordering the banker to pay a certain sum of money to the drawer of cheque or another person. Money is generally withdrawn by clients by cheques. Cheque is always payable on demand.

Cheque Truncation: Cheque truncation truncates or stops the flow of cheques through the banking system. Generally truncation takes place at the collecting branch, which sends the electronic image of the cheques to the paying branch through the clearing house and stores the paper cheques with it.

Closed-end (Mutual) Fund: A fund with a fixed number of shares issued, and all trading is done between investors in the open market. The share prices are determined by market prices instead of their net asset value.

Collateral: A specific asset pledged against possible default on a bond. Mortgage bonds are backed by claims on property. Collateral trusts bonds are backed by claims on other securities. Equipment obligation bonds are backed by claims on equipment.

Commercial Paper: Short-term and unsecured promissory notes issued by corporations with very high credit standings.

Common Stock: Equity investment representing ownership in a corporation; each share represents a fractional ownership interest in the firm.

Compound Interest: Interest paid not only on the initial deposit but also on any interest accumulated from one period to the next.

Contract Note: A note which must accompany every security transaction which contains information such as the dealer’s name (whether he is acting as principal or agent) and the date of contract.

Controlling Shareholder: Any person who is, or group of persons who together are, entitled to exercise or control the exercise of a certain amount of shares in a company at a level (which differs by jurisdiction) that triggers a mandatory general offer, or more of the voting power at general meetings of the issuer, or who is or are in a position to control the composition of a majority of the board of directors of the issuer.

Convertible Bond: A bond with an option, allowing the bondholder to exchange the bond for a specified number of shares of common stock in the firm. A conversion price is the specified value of the shares for which the bond may be exchanged. The conversion premium is the excess of the bond’s value over the conversion price.

Corporate Bond: Long-term debt issued by private corporations.

Coupon: The feature on a bond that defines the amount of annual interest income.

Coupon Frequency: The number of coupon payments per year.

Coupon Rate: The annual rate of interest on the bond’s face value that a bond’s issuer promises to pay the bondholder. It is the bond’s interest payment per dollar of par value.

Covered Warrants: Derivative call warrants on shares which have been separately deposited by the issuer so that they are available for delivery upon exercise.

Credit Rating: An assessment of the likelihood of an individual or business being able to meet its financial obligations. Credit ratings are provided by credit agencies or rating agencies to verify the financial strength of the issuer for investors.

Collecting Banker: Also called receiving banker, who collects on instruments like a cheque, draft or bill of exchange, lodged with himself for the credit of his customer's account.

Consumer Protection Act: It is implemented from 1987 to enforce consumer rights through a simple legal procedure. Banks also are covered under the Act. A consumer can file complaint for deficiency of service with Consumer District Forum for amounts upto Rs.20 Lacs in District Court, and for amounts above Rs.20 Lacs to Rs.1 Crore in State Commission and for amounts above Rs.1 Crore in National Commission.

Co-operative Bank : An association of persons who collectively own and operate a bank for the benefit of consumers / customers, like Saraswat Co-operative Bank or Abhyudaya Co-operative Bank and other such banks.

Co-operative Society : When an association of persons collectively own and operate a unit for the benefit of those using its services like Apna Bazar Co-operative Society or Sahakar Bhandar or a Co-operative Housing Society.

Core Banking Solutions (CBS): Core Banking Solutions is a buzz word in Indian banking at present, where branches of the bank are connected to a central host and the customers of connected branches can do banking at any breach with core banking facility.

Creditworthiness: It is the capacity of a borrower to repay the loan / advance in time along with interest as per agreed terms.

Crossing of Cheques: Crossing refers to drawing two parallel lines across the face of the cheque. A crossed cheque cannot be paid in cash across the counter, and is to be paid through a bank either by transfer, collection or clearing. A general crossing means that cheque can be paid through any bank and a special crossing, where the name of a bank is indicated on the cheque, can be paid only through the named bank.

Customer: A person who maintains any type of account with a bank is a bank customer. Consumer Protection Act has a wider definition for consumer as the one who purchases any service for a fee like purchasing a demand draft or a pay order. The term customer is defined differently by Laws, softwares and countries.

Current Account: Current account with a bank can be opened generally for business purpose. There are no restrictions on withdrawals in this type of account. No interest is paid in this type of account.

Currency Board: A monetary system in which the monetary base is fully backed by foreign reserves. Any changes in the size of the monetary base have to be fully matched by corresponding changes in the foreign reserves.

Current Yield: A return measure that indicates the amount of current income a bond provides relative to its market price. It is shown as: Coupon Rate divided by Price multiplied by 100%.

Custody of Securities: Registration of securities in the name of the person to whom a bank is accountable, or in the name of the bank’s nominee; plus deposition of securities in a designated account with the bank's bankers or with any other institution providing custodial services.

Debit Card: A plastic card issued by banks to customers to withdraw money electronically from their accounts. When you purchase things on the basis of Debit Card the amount due is debited immediately to the account. Many banks issue Debit-Cum-ATM Cards.

Debtor: A person who takes some money on loan from another person.

Demand Deposits: Deposits which are withdrawn on demand by customers. E.g. savings bank and current account deposits.

Demat Account: Demat Account concept has revolutionized the capital market of India. When a depository company takes paper shares from an investor and converts them in electronic form through the concerned company, it is called Dematerialization of Shares. These converted Share Certificates in Electronic form are kept in a Demat Account by the Depository Company, like a bank keeps money in a deposit account. Investor can withdraw the shares or purchase more shares through this demat Account.

Derivative Call (Put) Warrants: Warrants issued by a third party which grant the holder the right to buy (sell) the shares of a listed company at a specified price.

Derivative Instrument: Financial instrument whose value depends on the value of another asset.

Discount Bond: A bond selling below par, as interest in-lieu to the bondholders.

Dishonour of Cheque: Non-payment of a cheque by the paying banker with a return memo giving reasons for the non-payment. Default Risk: The possibility that a bond issuer will default ie, fail to repay principal and interest in a timely manner.

Diversification: The inclusion of a number of different investment vehicles in a portfolio in order to increase returns or be exposed to less risk.

Duration: A measure of bond price volatility, it captures both price and reinvestment risks to indicate how a bond will react to different interest rate environments.

Earnings: The total profits of a company after taxation and interest.

Earnings per Share (EPS): The amount of annual earnings available to common stockholders as stated on a per share basis.

Earnings Yield: The ratio of earnings to price (E/P). The reciprocal is price earnings ratio (P/E).

E-Banking : E-Banking or electronic banking is a form of banking where funds are transferred through exchange of electronic signals between banks and financial institution and customers ATMs, Credit Cards, Debit Cards, International Cards, Internet Banking and new fund transfer devices like SWIFT, RTGS belong to this category.

EFT - (Electronic Fund Transfer): EFT is a device to facilitate automatic transmission and processing of messages as well as funds from one bank branch to another bank branch and even from one branch of a bank to a branch of another bank. EFT allows transfer of funds electronically with debit and credit to relative accounts.

Either or Survivor: Refers to operation of the account opened in two names with a bank. It means that any one of the account holders have powers to withdraw money from the account, issue cheques, give stop payment instructions etc. In the event of death of one of the account holder, the surviving account holder gets all the powers of operation.

Electronic Commerce (E-Commerce): E-Commerce is the paperless commerce where the exchange of business takes place by Electronic means.

Endorsement: When a Negotiable Instrument contains, on the back of the instrument an endorsement, signed by the holder or payee of an order instrument, transferring the title to the other person, it is called endorsement.

Bouncing of a cheque: Where the name of the endorsee or transferee is not mentioned on the instrument.

Endorsement in Full: Where the name of the endorsee or transferee appears on the instrument while making endorsement.

Equity: Ownership of the company in the form of shares of common stock.

Equity Call Warrants: Warrants issued by a company which give the holder the right to acquire new shares in that company at a specified price and for a specified period of time.

Ex-dividend (XD): A security which no longer carries the right to the most recently declared dividend or the period of time between the announcement of the dividend and the payment (usually two days before the record date). For transactions during the ex-dividend period, the seller will receive the dividend, not the buyer. Ex-dividend status is usually indicated in newspapers with an (x) next to the stock’s or unit trust’s name.

Execution of Documents: Execution of documents is done by putting signature of the person, or affixing his thumb impression or putting signature with stamp or affixing common seal of the company on the documents with or without signatures of directors as per articles of association of the company.

Face Value/ Nominal Value: The value of a financial instrument as stated on the instrument. Interest is calculated on face/nominal value.

Fixed-income Securities: Investment vehicles that offer a fixed periodic return.

Fixed Rate Bonds: Bonds bearing fixed interest payments until maturity date.

Floating Rate Bonds: Bonds bearing interest payments that are tied to current interest rates.

Factoring: Business of buying trade debts at a discount and making a profit when debt is realized and also taking over collection of trade debts at agreed prices.

Foreign Banks: Banks incorporated outside India but operating in India and regulated by the Reserve Bank of India (RBI),. e..g., Barclays Bank, HSBC, Citibank, Standard Chartered Bank, etc.

Forfeiting: In International Trade when an exporter finds it difficult to realize money from the importer, he sells the right to receive money at a discount to a forfaiter, who undertakes inherent political and commercial risks to finance the exporter, of course with assumption of a profit in the venture.

Forgery: when a material alteration is made on a document or a Negotiable Instrument like a cheque, to change the mandate of the drawer, with intention to defraud.

Fundamental Analysis: Research to predict stock value that focuses on such determinants as earnings and dividends prospects, expectations for future interest rates and risk evaluation of the firm.

Future Value: The amount to which a current deposit will grow over a period of time when it is placed in an account paying compound interest.

Future Value of an Annuity: The amount to which a stream of equal cash flows that occur in equal intervals will grow over a period of time when it is placed in an account paying compound interest.

Futures Contract: A commitment to deliver a certain amount of some specified item at some specified date in the future.

Garnishee Order: When a Court directs a bank to attach the funds to the credit of customer's account under provisions of Section 60 of the Code of Civil Procedure, 1908.

General Lien: A right of the creditors to retain possession of all goods given in security to him by the debtor for any outstanding debt.

Guarantee: A contract between guarantor and beneficiary to ensure performance of a promise or discharge the liability of a third person. If promise is broken or not performed, the guarantor pays contracted amount to the beneficiary.

Hedge: A combination of two or more securities into a single investment position for the purpose of reducing or eliminating risk.

Holder: Holder means any person entitled in his own name to the possession of the cheque, bill of exchange or promissory note and who is entitled to receive or recover the amount due on it from the parties. For example, if I give a cheque to my friend to withdraw money from my bank,he becomes holder of that cheque. Even if he loses the cheque, he continues to be holder. Finder cannot become the holder.

Holder in due course : A person who receives a Negotiable Instrument for value, before it was due and in good faith, without notice of any defect in it, he is called holder in due course as per Negotiable Instrument Act. In the earlier example if my friend lends some money to me on the basis of the cheque, which I have given to him for encashment, he becomes holder-in-due course.

Hypothecation: Charge against property for an amount of debt where neither ownership nor possession is passed to the creditor. In pledge, possession of property is passed on to the lender but in hypothecation, the property remains with the borrower in trust for the lender.

Identification: When a person provides a document to a bank or is being identified by a person, who is known to the bank, it is called identification. Banks ask for identification before paying an order cheque or a demand draft across the counter.

Indemnifier: When a person indemnifies or guarantees to make good any loss caused to the lender from his actions or others' actions.

Indemnity: Indemnity is a bond where the indemnifier undertakes to reimburse the beneficiary from any loss arising due to his actions or third party actions.

Income: The amount of money an individual receives in a particular time period.

Index Fund: A mutual fund that holds shares in proportion to their representation in a market index, such as the S&P 500.

Initial Public Offering (IPO): An event where a company sells its shares to the public for the first time. The company can be referred to as an IPO for a period of time after the event.

Inside Information: Non-public knowledge about a company possessed by its officers, major owners, or other individuals with privileged access to information.

Insider Trading: The illegal use of non-public information about a company to make profitable securities transactions

Insolvent: Insolvent is a person who is unable to pay his debts as they mature, as his liabilities are more than the assets . Civil Courts declare such persons insolvent. Banks do not open accounts of insolvent persons as they cannot enter into contract as per law.

Interest Warrant: When cheque is given by a company or an organization in payment of interest on deposit , it is called interest warrant. Interest warrant has all the characteristics of a cheque.

International Banking: involves more than two nations or countries. If an Indian Bank has branches in different countries like State Bank of India, it is said to do International Banking.

Introduction: Banks are careful in opening any account for a customer as the prospective customer has to be introduced by an existing account holder or a staff member or by any other person known to the bank for opening of account. If bank does not take introduction, it will amount to negligence and will not get protection under law.

Intrinsic Value: The difference of the exercise price over the market price of the underlying asset.

Investment: A vehicle for funds expected to increase its value and/or generate positive returns.

Investment Adviser: A person who carries on a business which provides investment advice with respect to securities and is registered with the relevant regulator as an investment adviser.

IPO price: The price of share set before being traded on the stock exchange. Once the company has gone Initial Public Offering, the stock price is determined by supply and demand.

JHF Account : Joint Hindu Family Account is account of a firm whose business is carried out by Karta of the Joint family, acting for all the family members.. The family members have common ancestor and generally maintain a common residence and are subject to common social, economic and religious regulations.

Joint Account: When two or more individuals jointly open an account with a bank.

Junk Bond: High-risk securities that have received low ratings (i.e. Standard & Poor’s BBB rating or below; or Moody’s BBB rating or below) and as such, produce high yields, so long as they do not go into default.

Karta: Manager of a Hindu Undivided Family (HUF) who handles the family business. He is usually the eldest male member of the undivided family.

Kiosk Banking: Doing banking from a cubicle from which food, newspapers, tickets etc. are also sold.

KYC Norms: Know your customer norms are imposed by R.B.I. on banks and other financial institutions to ensure that they know their customers and to ensure that customers deal only in legitimate banking operations and not in money laundering or frauds.

Law of Limitation: Limitation Act of 1963 fixes the limitation period of debts and obligations including banks loans and advances. If the period fixed for particular debt or loan expires, one cannot file a suit for is recovery, but the fact of the debt or loan is not denied. It is said that law of limitation bars the remedy but does not extinguish the right.

Lease Financing: Financing for the business of renting houses or lands for a specified period of time and also hiring out of an asset for the duration of its economic life. Leasing of a car or heavy machinery for a specific period at specific price is an example.

Letter of Credit: A document issued by importers bank to its branch or agent abroad authorizing the payment of a specified sum to a person named in Letter of Credit (usually exporter from abroad). Letters of Credit are covered by rules framed under Uniform Customs and Practices of Documentary Credits framed by International Chamber of Commerce in Paris.

Limited Companies Accounts: Accounts of companies incorporated under the Companies Act, 1956 . A company may be private or public. Liability of the shareholders of a company is generally limited to the face value of shares held by them.

Leverage Ratio: Financial ratios that measure the amount of debt being used to support operations and the ability of the firm to service its debt.

Libor: The London Interbank Offered Rate (or LIBOR) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale money market (or interbank market). The LIBOR rate is published daily by the British Banker's Association and will be slightly higher than the London Interbank Bid Rate (LIBID), the rate at which banks are prepared to accept deposits.

Limit Order: An order to buy (sell) securities which specifies the highest (lowest) price at which the order is to be transacted.

Limited Company: The passive investors in a partnership, who supply most of the capital and have liability limited to the amount of their capital contributions.

Liquidity: The ability to convert an investment into cash quickly and with little or no loss in value.

Listing: Quotation of the Initial Public Offering company's shares on the stock exchange for public trading.

Listing Date: The date on which Initial Public Offering stocks are first traded on the stock exchange by the public

Margin Call: A notice to a client that it must provide money to satisfy a minimum margin requirement set by an Exchange or by a bank / broking firm.

Market Capitalization: The product of the number of the company's outstanding ordinary shares and the market price of each share.

Market Maker: A dealer who maintains an inventory in one or more stocks and undertakes to make continuous two-sided quotes.

Market Order: An order to buy or an order to sell securities which is to be executed at the prevailing market price.

Money Market: Market in which short-term securities are bought and sold.

Marginal Standing Facility Rate: MSF scheme has become effective from 09th May, 2011 launched by the RBI. Under this scheme, Banks will be able to borrow upto 1% of their respective Net Demand and Time Liabilities. The rate of interest on the amount accessed from this facility will be 100 basis points (i.e. 1%) above the repo rate. This scheme is likely to reduce volatility in the overnight rates and improve monetary transmission.

Mandate: Written authority issued by a customer to another person to act on his behalf, to sign cheques or to operate a bank account.

Material Alteration: Alteration in an instrument so as to alter the character of an instrument for example when date, amount, name of the payee are altered or making a cheque payable to bearer from an order one or opening the crossing on a cheque.

Merchant Banking : When a bank provides to a customer various types of financial services like accepting bills arising out of trade, arranging and providing underwriting, new issues, providing advice, information or assistance on starting new business, acquisitions, mergers and foreign exchange.

Micro Finance: Micro Finance aims at alleviation of poverty and empowerment of weaker sections in India. In micro finance, very small amounts are given as credit to poor in rural, semi-urban and urban areas to enable them to raise their income levels and improve living standards.

Minor Accounts: A minor is a person who has not attained legal age of 18 years. As per Contract Act a minor cannot enter into a contract but as per Negotiable Instrument Act, a minor can draw, negotiate, endorse, receive payment on a

Negotiable Instrument so as to bind all the persons, except himself. In order to boost their deposits many banks open minor accounts with some restrictions.

Mobile Banking : With the help of M-Banking or mobile banking customer can check his bank balance, order a demand draft, stop payment of a cheque, request for a cheque book and have information about latest interest rates.

Money Laundering: When a customer uses banking channels to cover up his suspicious and unlawful financial activities, it is called money laundering.

Money Market: Money market is not an organized market like Bombay Stock Exchange but is an informal network of banks, financial institutions who deal in money market instruments of short term like CP, CD and Treasury bills of Government.

Moratorium: R.B.I. imposes moratorium on operations of a bank; if the affairs of the bank are not conducted as per banking norms. After moratorium R.B.I. and Government explore the options of safeguarding the interests of depositors by way of change in management, amalgamation or take over or by other means.

Mortgage: Transfer of an interest in specific immovable property for the purpose of offering a security for taking a loan or advance from another. It may be existing or future debt or performance of an agreement which may create monetary obligation for the transferor (mortgagor).

Mutual Fund: A company that invests in and professionally manages a diversified portfolio of securities and sells shares of the portfolio to investors.

NABARD: National Bank for Agriculture & Rural Development was setup in 1982 under the Act of 1981. NABARD finances and regulates rural financing and also is responsible for development agriculture and rural industries.

Negotiation: In the context of banking, negotiation means an act of transferring or assigning a money instrument from one person to another person in the course of business.

Net Asset Value: The underlying value of a share of stock in a particular mutual fund; also used with preferred stock.

Non-Fund Based Limits: Non-Fund Based Limits are those type of limits where banker does not part with the funds but may have to part with funds in case of default by the borrowers, like guarantees, letter of credit and acceptance facility.

Non-Resident: A person who is not a resident of India is a non-resident.

Non-Resident Accounts: Accounts of non-resident Indian citizens opened and maintained as per R.B.I. Rules.

Notary Public: A Lawyer who is authorized by Government to certify copies of documents .

NPA Account: If interest and instalments and other bank dues are not paid in any loan account within a specified time limit, it is being treated as non-performing assets of a bank.

Off Balance Sheet Items: Those items which affect the financial position of a business concern, but do not appear in the Balance Sheet E,g guarantees, letters of credit . The mention "off Balance Sheet items" is often found in Auditors Reports or Directors Reports.

Offer for Sale: An offer to the public by, or on behalf of, the holders of securities already in issue.

Offer for Subscription: The offer of new securities to the public by the issuer or by someone on behalf of the issuer.

Online Banking: Banking through internet site of the bank which is made interactive.

Open-end (Mutual) Fund: There is no limit to the number of shares the fund can issue. The fund issues new shares of stock and fills the purchase order with those new shares. Investors buy their shares from, and sell them back to, the mutual fund itself. The share prices are determined by their net asset value.

Open Offer: An offer to current holders of securities to subscribe for securities whether or not in proportion to their existing holdings.

Option: A security that gives the holder the right to buy or sell a certain amount of an underlying financial asset at a specified price for a specified period of time.

Oversubscribed: When an Initial Public Offering has more applications than actual shares available. Investors will often apply for more shares than required in anticipation of only receiving a fraction of the requested number. Investors and underwriters will often look to see if an IPO is oversubscribed as an indication of the public’s perception of the business potential of the IPO company.

Pass Book: A record of all debit and credit entries in a customer's account. Generally all banks issue pass books to Savings Bank/Current Account Holders.

Par Bond: A bond selling at par (i.e. at its face value).

Par Value: The face value of a security.

Perpetual Bonds: Bonds which have no maturity date.

Placing: Obtaining subscriptions for, or the sale of, primary market, where the new securities of issuing companies are initially sold.

Personal Identification Number (PIN): Personal Identification Number is a number which an ATM card holder has to key in before he is authorized to do any banking transaction in a ATM .

Plastic Money: Credit Cards, Debit Cards, ATM Cards and International Cards are considered plastic money as like money they can enable us to get goods and services.

Pledge: A bailment of goods as security for payment of a debt or performance of a promise, e.g pledge of stock by a borrower to a banker for a credit limit. Pledge can be made in movable goods only.

Post-Dated Cheque: A Cheque which bears the date which is subsequent to the date when it is drawn. For example, a cheque drawn on 8th of February, 2007 bears the date of 12th February, 2007.

Power of Attorney: It is a document executed by one person - Donor or Principal, in favour of another person, Donee or Agent - to act on behalf of the former, strictly as per authority given in the document.

Portfolio: A collection of investment vehicles assembled to meet one or more investment goals.

Preference Shares: A corporate security that pays a fixed dividend each period. It is senior to ordinary shares but junior to bonds in its claims on corporate income and assets in case of bankruptcy.

Premium (Warrants): The difference of the market price of a warrant over its intrinsic value.

Premium Bond: Bond selling above par.

Present Value: The amount to which a future deposit will discount back to present when it is depreciated in an account paying compound interest.

Present Value of an Annuity: The amount to which a stream of equal cash flows that occur in equal intervals will discount back to present when it is depreciated in an account paying compound interest.

Price/Earnings Ratio (P/E): The measure to determine how the market is pricing the company’s common stock. The price/earnings (P/E) ratio relates the company’s earnings per share (EPS) to the market price of its stock.

Privatization: The sale of government-owned equity in nationalized industry or other commercial enterprises to private investors.

Prospectus: A detailed report published by the Initial Public Offering company, which includes all terms and conditions, application procedures, IPO prices etc, for the IPO

Put Option: The right to sell the underlying securities at a specified exercise price on of before a specified expiration date.

Premature Withdrawals: Term deposits like Fixed Deposits, Call Deposits, Short Deposits and Recurring Deposits have to mature on a particular day. When these deposits are sought to be withdrawn before maturity , it is premature withdrawal.

Prime Lending Rate (PLR): The rate at which banks lend to their best (prime) customers.

Priority Sector Advances : consist of loans and advances to Agriculture, Small Scale Industry, Small Road and Water Transport Operators, Retail Trade, Small Business with limits on investment in equipments, professional and self employed persons, state sponsored organisations for lending to SC/ST, Educational Loans, Housing Finance up to certain limits, self-help groups and consumption loans.

Promissory Note: Promissory Note is a promise / undertaking given by one person in writing to another person, to pay to that person , a certain sum of money on demand or on a future day.

Provisioning: Provisioning is made for the likely loss in the profit and loss account while finalizing accounts of banks. All banks are supposed to make assets classification and make appropriate provisions for likely losses in their balance sheets.

Public Sector Bank: A bank fully or partly owned by the Government.

Rate of Return: A percentage showing the amount of investment gain or loss against the initial investment.

Real Interest Rate: The net interest rate over the inflation rate. The growth rate of purchasing power derived from an investment.

Redemption Value: The value of a bond when redeemed.

Reinvestment Value: The rate at which an investor assumes interest payments made on a bond which can be reinvested over the life of that security.

Relative Strength Index (RSI): A stock’s price that changes over a period of time relative to that of a market index such as the Standard & Poor’s 500, usually measured on a scale from 1 to 100, 1 being the worst and 100 being the best.

Repurchase Agreement: An arrangement in which a security is sold and later bought back at an agreed price and time.

Resistance Level: A price at which sellers consistently outnumber buyers, preventing further price rises.

Return: Amount of investment gain or loss.

Rescheduling of Payment: Rearranging the repayment of a debt over a longer period than originally agreed upon due to financial difficulties of the borrower.

Restrictive Endorsement: Where endorser desires that instrument is to be paid to particular person only, he restricts further negotiation or transfer by such words as "Pay to Ashok only". Now Ashok cannot negotiate the instrument further.

Right of Appropriation: As per Section 59 of the Indian Contract Act, 1972 while making the payment, a debtor has the right to direct his creditor to appropriate such amount against discharge of some particular debt. If the debtor does not do so, the banker can appropriate the payment to any debt of his customer.

Right of Set-Off : When a banker combines two accounts in the name of the same customer and adjusts the debit balance in one account with the credit balance in other account, it is called right of set-off. For example, debit balance of Rs.50,000/- in overdraft account can be set off against credit balance of Rs.75,000/- in the Savings Bank Account of the same customer, leaving a balance of Rs.25,000/- credit in the savings account.

Rights Issue: An offer by way of rights to current holders of securities that allows them to subscribe for securities in proportion to their existing holdings.

Risk-Averse, Risk-Neutral, Risk-Taking:

Risk-averse describes an investor who requires greater return in exchange for greater risk.

Risk-neutral describes an investor who does not require greater return in exchange for greater risk.

Risk-taking describes an investor who will accept a lower return in exchange for greater risk.

Safe Custody: When articles of value like jewellery, boxes, shares, debentures, Government bonds, Wills or other documents or articles are given to a bank for safe keeping in its safe vault, it is called safe custody.. Bank charges a fee from its clients for such safe custody.

Savings Bank Account: All banks in India are having the facility of opening savings bank account with a nominal balance. This account is used for personal purposes and not for business purpose and there are certain restrictions on withdrawals from this type of account. Account holder gets nominal interest in this account.

Senior Bond: A bond that has priority over other bonds in claiming assets and dividends.

Settlement: Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivered, securities sold, and receive from the broker the proceeds of a sale.

Short Hedge: A transaction that protects the value of an asset held by taking a short position in a futures contract.

Short Position: Investors sell securities in the hope that they will decrease in value and can be bought at a later date for profit.

Short Selling: The sale of borrowed securities, their eventual repurchase by the short seller at a lower price and their return to the lender.

Speculation: The process of buying investment vehicles in which the future value and level of expected earnings are highly uncertain.

Stock Splits: Wholesale changes in the number of shares. For example, a two for one split doubles the number of shares but does not change the share capital.

Subordinated Bond: An issue that ranks after secured debt, debenture, and other bonds, and after some general creditors in its claim on assets and earnings. Owners of this kind of bond stand last in line among creditors, but before equity holders, when an issuer fails financially.

Substantial Shareholder: A person acquires an interest in relevant share capital equal to, or exceeding, 10% of the share capital.

Support Level: A price at which buyers consistently outnumber sellers, preventing further price falls.

Teller : Teller is a staff member of a bank who accepts deposits, cashes cheques and performs other banking services for the public.

Technical Analysis: A method of evaluating securities by relying on the assumption that market data, such as charts of price, volume, and open interest, can help predict future (usually short-term) market trends. Contrasted with fundamental analysis which involves the study of financial accounts and other information about the company. (It is an attempt to predict movements in security prices from their trading volume history.)

Time Horizon: The duration of time an investment is intended for.

Trading Rules: Stipulation of parameters for opening and intra-day quotations, permissible spreads according to the prices of securities available for trading and board lot sizes for each security.

Trust Deed: A formal document that creates a trust. It states the purpose and terms of the name of the trustees and beneficiaries.

Underwriting : is an agreement by the underwriter to buy on a fixed date and at a fixed rate, the unsubscribed portion of shares or debentures or other issues. Underwriter gets commission for this agreement.

Underlying Security: The security subject to being purchased or sold upon exercise of the option contract.

Universal Banking : When Banks and Financial Institutions are allowed to undertake all types of activities related to banking like acceptance of deposits, granting of advances, investment, issue of credit cards, project finance, venture capital finance, foreign exchange business, insurance etc. it is called Universal Banking.

Valuation: Process by which an investor determines the worth of a security using risk and return concept.

Virtual Banking: Virtual banking is also called internet banking, through which financial and banking services are accessed via internet's World Wide Web. It is called virtual banking because an internet bank has no boundaries of brick and mortar and it exists only on the internet.

Warrant: An option for a longer period of time giving the buyer the right to buy a number of shares of common stock in company at a specified price for a specified period of time.

Wholesale Banking: Wholesale banking is different from Retail Banking as its focus is on providing for financial needs of industry and institutional clients.

Window Dressing: Financial adjustments made solely for the purpose of accounting presentation, normally at the time of auditing of company accounts.

Yield (Internal rate of Return): The compound annual rate of return earned by an investment

Yield to Maturity: The rate of return yield by a bond held to maturity when both compound interest payments and the investor’s capital gain or loss on the security are taken into account.

Zero Coupon Bond: A bond with no coupon that is sold at a deep discount from par value

Important Marketing Terms for SBI Exam

There are some important glossary terms used by marketers, usually at the management level, when preparing marketing plans and pitching for business. Some of these are explained here..

Anti-competitive practice: A practice is considered anti-competitive if it prevents, distorts or restricts competition in a market for goods and services in Barbados.

Anti-dumping: Anti dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. Thus, the purpose of anti dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade. The use of anti dumping measure as an instrument of fair competition is permitted by the WTO. In fact, anti dumping is an instrument for ensuring fair trade and is not a measure of protection for the domestic industry. It provides relief to the domestic industry against the injury caused by dumping. Anti dumping measures do not provide protection per se to the domestic industry. It only serves the purpose of providing remedy to the domestic industry against the injury caused by the unfair trade practice of dumping.

Advertising: Advertising is a form of communication that typically attempts to persuade potential customers to purchase or to consume more of a particular brand of product or service. Many advertisements are designed to generate increased consumption of those products and services through the creation and reinforcement of "brand image" and "brand loyalty". For these purposes, advertisements sometimes embed their persuasive message with factual information.

Barter: A Trade Exchange or Barter is a type of trade in which goods or services are directly exchanged for other goods and/or services, without the use of money. It can be bilateral or multilateral, and usually exists parallel to monetary systems in most developed countries, though to a very limited extent. Barter usually replaces money as the method of exchange in times of monetary crisis, when the currency is unstable and devalued by hyperinflation.

Branding: It is a promise, a pledge of quality. It is the essence of a product, including why it is great, and how it is better than all competition products. It is an image. It is a combination of words and letters, symbols, and colors.

Conglomerate: A conglomerate is the term used to describe a large company that consists of seemingly unrelated business sections. This term may also be referred to as a multi-industry company.

Circulation: The total number of copies distributed by a newspaper or magazine.

Classifieds: An advertisement in a newspaper that is placed along with advertisements for similar events under a classified heading, e.g. 'Entertainment' or 'Cinema'.

Concept: A design in which all aspects of the product are linked to a central idea, function or theory, etc.

Copy: Written or typed matter intended to be reproduced in print.

Copyright: The exclusive right, granted by law for a certain term of years, to make and dispose of copies of, and otherwise to control, a literary, musical, dramatic, or artistic work.

Critical Path: Plots the events that need to occur to complete a project on a timeline.

CRM: Customer Relationship Marketing. Building loyalty through your relationship with a customer.

Database: A large volume of information stored in a computer and organised in categories to facilitate retrieval.

Direct Mail: Mailing brochures, letters, questionnaires etc. directly to the target market.

Direct Marketing: Marketing to the customer without the use of an intermediary.

Types of Direct marketing:

There are many types of direct marketing, only some important types are listed below and these are the most form of direct marketing.

i)Direct Mail Marketing: Advertising material sent directly to home and business addresses. This is the most common form of direct marketing.

ii)Telemarketing: It is the second most common form of direct marketing, in which marketers contact consumers by phone.

ii)Email Marketing: This type of marketing targets customers through their email accounts

Display Ad: An advertisement which is usually designed by the advertiser and displayed in a box.

Direct Response: In advertising. Advertising designed to trigger a behavioural response in target audiences, e.g. placing mail back coupons in the ad, asking people to bring in or mention an ad, setting up a phone number and asking individuals to call for further information etc.

Digital Marketing: Digital Marketing is the practice of promoting products and services using all forms of digital advertising. It includes Television, Radio, Internet, mobile and any other form of digital media.

Distress Rates: Cheaper rates for advertising at short notice, i.e. When newspapers have spaces to fill shortly before their deadlines.

Distribution: To place promotional material, e.g. fliers or posters, throughout areas where they will be picked up.

Drip Marketing: Method of sending promotional items to clients is called Drip marketing.

Dumping: If a company exports a product at a price (export price) lower than the price it normally charges on its own home market (normal value), it is said to be 'dumping' the product. Dumping can harm the domestic industry by reducing its sales volume and market shares, as well as its sales prices. This in turn can result in decline in profitability, job losses and, in the worst case, in the domestic industry going out of business. Often, dumping is mistaken and simplified to mean cheap or low priced imports. However, it is a misunderstanding of the term. On the other hand, dumping, in its legal sense, means export of goods by a country to another country at a price lower than its normal value. Thus, dumping implies low priced imports only in the relative sense (relative to the normal value), and not in absolute sense.

Freepost: Used to encourage a response by mail. The sender does not pay to return an item by post e.g. a questionnaire.

Guerilla Marketing: Unconventional marketing intended to get maximum results from minimal resources is nothing but Guerilla Marketing.

JIT: Just-in-time (JIT) is an inventory strategy implemented to improve the return on investment of a business by reducing in-process inventory and its associated carrying costs. In order to achieve JIT the process must have signals of what is going on elsewhere within the process.

Incentive: Something of financial or symbolic value added to an offer to encourage some overt behavioural response.

Indirect Marketing: Indirect Marketing is the distribution of a particular product through a channel that includes one or more resellers.

Difference b/w Direct and Indirect Marketing:

· Direct marketing is basically advertising your own products or services.

· In the same way you might advertise for someone else is called Indirect marketing, is an increasingly popular way of doing business

Internet Marketing: Internet marketing is the marketing of products or services over the Internet.

Internet Marketing is also known as i-marketing, web-marketing, online-marketing, Search Engine Marketing (SEM) or e-Marketing

Key Selling Points: The components of a program or event that will appeal to the greatest number of people.

Loyalty Programs: A component of relationship marketing. Programs designed to increase the strength of a consumer's preference for a particular entity. The most common form of loyalty program in the arts is subscription or membership programs.

Marketing: The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, and people to create exchanges that will satisfy individual and organizational goals.

Marketing Mix: The blend of product, place, promotion, and pricing strategies designed to produce satisfying exchanges with a target market.

Market Research: The process of planning, collecting, and analyzing data relevant to marketing decision-making. Using a combination of primary and secondary research tools to better understand a situation.

Marketing Strategy: The first stage is setting marketing objectives (where the organisation wants to be at the end of the strategic planning period) and goals (the objectives with specific numerical benchmarks and deadlines attached to allow management to measure achievement). The second stage is specifying the core marketing strategy, i.e. specific target markets, competitive positioning and key elements of the marketing mix. The third is the implementation of tactics to achieve the core strategy.

Mergers and Acquisitions: The phrase mergers and acquisitions (abbreviated M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity. A merger is a tool used by companies for the purpose of expanding their operations often aiming at an increase of their long term profitability. An acquisition, also known as a takeover, is the buying of one company (the 'target') by another.

Media Hooks: Aspects of an event or program that are most likely to appeal to a journalist or the media generally.

Media Monitoring: Systematic monitoring of the media in order to ascertain what has been said. Specialised agencies provide this service.

Offer: A proposal by a marketer to make available to a target customer a desirable set of positive consequences if the customer undertakes the required action.

Pitch: A proposal - either verbal or written - to enlist the engagement or support of a third party.

Psychographics: Life-style measures which combine psychological and demographic measurements based on consumers' activities, aspirations, values, interests or opinions.

Publicity: Definitions vary but in Sauce the term is used to describe obtaining media coverage.

Personal Selling: Persuasive communication between a representative of the company and one or more prospective customers, designed to influence the person's or group's purchase decision.

Qualitative Research: Research that seeks out people's attitudes and preferences, usually conducted through unstructured interviews or focus groups.

Quantitative Research: Research that measures (quantifies) responses to a structured questionnaire, conducted either through telephone, face-to-face structured interviews, on the Internet or through self completion surveys.

Quickcuts: The brand name of technology which enables design companies or advertising agencies to transmit advertisements directly to the publication over a telephone line.

Reach: The total number of people your organisation or campaign reaches.

Relationship marketing: Marketing with a focus on building long-term relationships where the target customer is encouraged to continue his or her involvement with the marketer.

Strategic Marketing Planning: The process of managerial and operational activities required to create and sustain effective and efficient marketing strategies, including identifying and evaluating opportunities, analyzing markets and selecting target markets, developing a positioning strategy, preparing and executing the market plan, and controlling and evaluating results.

Situational Analysis: An analysis of the internal and external environment of a company or event.

SWOT Analysis: Identifying the strengths and weaknesses, which are internal to the organisation or project and the opportunities and threats, which come from outside the organisation.

Social Media Marketing: Social media marketing is marketing using online communities, social networks, blog marketing and more

Talent: The person or people you put forward to the media as possible subjects for an interview, a game show, a picture or footage, etc.

Target Audience: The section of the population that is identified as likely to be most interested in buying or being associated with a product.

Target media: The media you decide to target for coverage because they reach your target audience.

Targeting: The act of directing promotions to the target audience.

TARPS: Target audience rating points -- that is, the number of people or percentage of people reached in your target audience

Unique Selling Proposition (USP): The one thing that makes a product different than any other. It's the one reason marketers think consumers will buy the product even though it may seem no different from many others just like it.

Viral Marketing: Marketing by the word of the mouth, having a high pass-rate from person to person is called Viral marketing. Creating a 'buzz' in the industry is an example of viral marketing