



The world puts its stock in us.®

# GLOSSARY OF TERMS & ACRONYMS

---



New York Stock Exchange

Acc – Ann

Here's a fairly comprehensive list of commonly used terms (and their definitions) in the securities and financial industries:

## A

**Accountant's Opinion** — (see **Auditor's Report**)

**Accounts Payable** — Money a company owes for services and supplies. For example, a record company would list as accounts payable the bill from a wax company that supplied the raw material for making records.

**Accrued Interest** — The interest due on a bond since the last interest payment was made. The buyer of the bond pays the market price plus accrued interest.

**Acquisition** — Acquiring control of one corporation by another. In “unfriendly” take-over attempts, the potential buying company may offer a price well above current market values, new securities and other inducements to stockholders. The management of the subject company might ask for a better price or try to join up with a third company. (also see **Merger, Proxy**)

**ADR** — American Depositary Receipt. A security issued by a U.S. bank in place of the foreign shares held in trust by that bank, thereby facilitating the trading of foreign shares in U.S. markets.

**American Stock Exchange** — The second largest stock exchange in New York, located in the financial district of New York City.

**Amortization** — Accounting for expenses or charges as applicable rather than as paid. Includes such practices as depreciation, depletion, write-off of intangibles, prepaid expenses and deferred charges.

**Annual Report** — The formal financial statement issued yearly by a publicly owned corporation. The report shows assets, liabilities, revenues, expenses and earnings. The report also shows the company's financial condition at the close of the business year and other basic information of interest to shareholders.

**Arbitrage** — A technique employed to take advantage of differences in price. If, for example, ABC stock can be bought in New York for \$10 a share and sold in London at \$10.50, an arbitrageur may simultaneously purchase ABC stock here and sell the same amount in London, making a profit of 50 cents a share, less expenses. Arbitrage may also involve the purchase of rights to subscribe to a security, or the purchase of convertible security – and the sale at or about the same time of the security obtainable through exercise of the rights or of the security obtainable through conversion. (see **Convertible, Rights**)

**Arbitration** — A low-cost alternative to settling disputes over securities transactions in the court system. The NYSE administers this service.

**Asset** — Anything a person, company, or group owns or is owed, including money, investments and property.

**Assignment** — Notice to an option writer that an option holder has exercised the option and that the writer will now be required to deliver (receive) under the terms of the contract.

**Auction Market** — The system of trading securities through brokers or agents on an exchange such as the New

York Stock Exchange. Buyers compete with other buyers while sellers compete with other sellers for the most advantageous price.

**Auditor's Report** — Often called the accountant's opinion, it is the statement of the accounting firm's work and its opinion of the corporation's financial statements, especially if they conform to the normal and generally accepted practices of accountancy.

**Averages** — Various ways of measuring the trend of securities prices, one of the most popular of which is the Dow Jones average of 30 industrial stocks listed on the New York Stock Exchange. The prices of the 30 stocks are totaled and then divided by a divisor that is intended to compensate for past stock splits and stock dividends and that is changed from time to time. As a result, point changes in the average have only the vaguest relationship to dollar price changes in stocks included in the average. (also see **NYSEComposite Index**)

**Averaging** — (see **Dollar Cost Averaging**)

## B

**Balance Sheet** — A condensed financial statement showing the nature and amount of a company's assets, liabilities and capital on a given date. In dollar amounts the balance sheet shows what the company owned, what it owed, and the ownership interest in the company of its stockholders. (see **Assets, Earnings Report**)

**Basis Point** — One gradation on a 100-point scale representing one percent; used especially in expressing variations in the yields of bonds. Fixed income yields vary often and slightly within one percent and the basis point scale easily expresses these changes in hundredths of one percent. For example, the difference between 12.83% and 12.88% is 5 basis points.

**Bear** — Someone who believes the market will decline. (see **Bull**)

**Bear Market** — A condition of the stock market when prices of stocks are generally declining.

**Bearer Bond** — A bond that does not have the owner's name registered on the books of the issuer. Interest and principal, when due, are payable to the owner (see **Coupon Bond, Registered Bond**)

**Bid and Asked** — Often referred to as a quotation or quote. The bid is the highest price anyone wants to pay for a security at a given time, the asked is the lowest price anyone will take at the same time. (see **Quote**)

**Block** — A large holding or transaction of stock — popularly considered to be 10,000 shares or more.

**Blue-Chip Stock** — Stock in a company with a national reputation for quality, reliability and the ability to operate profitably in good and bad times.

**Blue Sky Laws** — A popular name for laws various states have enacted to protect the public against securities fraud. The term is believed to have originated when a judge ruled that a particular stock had about the same value as a patch of blue sky.

**Bond** — Basically an I.O.U. or promissory note of a corporation or municipality, usually issued in multiples of \$1,000 or \$5,000. A bond is an evidence of debt on which the issuing company usually promises to pay the bondholder a specified amount of interest for a specified length of time, and to repay the loan on the expiration date. A bondholder is a creditor of the corporation, not a part owner as is the shareholder. While the interest paid on corporate bonds is fully taxable, the interest on municipal bonds is usually exempt from federal income tax and state and local taxes within the state of the issue.

**Book Value** — An accounting term. Book value of a stock is determined from a company's records, by adding all assets then deducting all debts and other liabilities, plus the liquidation price of any preferred issues. The sum arrived at is divided by the number of common shares outstanding and the result is book value per common share. Book value of the assets of a company or a security may have little relationship to market value.

**Booths** — About 1,400 workspaces, each equipped with a computer system, around the perimeter of the Trading Floor where member firms and independent brokers receive orders.

**Borrowing** — A way of acquiring necessary capital. One form of borrowing is when an individual or a company asks a bank to loan them a certain amount of money, over a certain period of time, and agrees to pay a certain amount of interest.

**Broker** — An agent who handles the public's orders to buy and sell securities, commodities or other property. For this service a commission is charged.

**Broker Booth Support System (BBSS)** — A state-of-the-art order-management system designed exclusively for NYSE members. BBSS enables member firms to quickly and efficiently process and manage their orders and selectively route orders via SuperDot directly to either the trading post or the booths on the NYSE Trading Floor.

**Brokers' Loan** — Money borrowed by brokers from banks or other brokers for a variety of uses. It may be used by specialists to help finance investments of stock they deal in; by brokerage firms to finance the underwriting of new issues of corporate and municipal securities; to help finance a firm's own investments; and to help finance the purchase of securities for customers who prefer to use the broker's credit when they buy securities. (see **Margin**)

**Bull** — One who believes the market will rise. (see **Bear**)

**Bull Market** — A condition of the stock market when prices of stocks are generally rising.

**Buttonwood Agreement** — A 1792 trade agreement banding the original 24 brokers in New York together into an investment community. The agreement was named for a Buttonwood tree that served as their informal meeting place on Wall Street.

**Buy Side** — An institution who buys services from a broker/dealer, i.e., pays a commission on the execution of an order.

## C

**Call** — (see **Option**)

**Callable** — A bond issue, all or parts of which may be redeemed by the issuing corporation under specified conditions before maturity. The term also applies to preferred shares that may be redeemed by the issuing corporation.

**Capital Gain** — Profit made on securities, either through dividends or by selling the securities for a higher price than they originally cost.

**Capital Stock** — All shares representing ownership of a business, including preferred

and common. (see **Common Stock, Preferred Stock**)

**Capitalization** — Total amount of various securities issued by a corporation. Capitalization may include bonds, debentures, preferred and common stock, and surplus.

**Cash Flow** — Reported net income of a corporation plus amounts charged for depreciation, depletion, amortization, extraordinary charges to reserves, which are bookkeeping deductions and not paid out in actual dollars and cents. (see **Amortization, Depreciation**)

**Cash Sale** — A transaction on the floor of the Stock Exchange that calls for delivery of the securities the same day. In "regular way" trades, the seller is to deliver on the third business day, except for bonds, which are the next day. (see **Regular Way Delivery**)

**Certificate** — The actual piece of paper that is evidence of ownership of stock in a corporation. Watermarked paper is finely engraved with delicate etchings to discourage forgery.

**Certificate of Deposit (CD)** — An agreement with a bank that you will leave your money on deposit for a specified period of time in return for a specific amount of interest.

**CFTC** — The Commodity Futures Trading Commission, created by Congress in 1974 to regulate exchange trading in futures.

**Closed-End Investment Company** — (see **Investment Company**)

**Collateral** — Securities or other property pledged by a borrower to secure repayment of a loan.

**Commercial Paper** — Debt instruments issued by companies to meet short-term financing needs.

**Commission** — The broker's basic fee for purchasing or selling securities or property as an agent.

**Commission Broker** — An agent who executes the public's order for the purchase or sale of securities or commodities.

**Commodities** — (see **Futures**)

**Common Stock** — One of two types of stock an investor may purchase in a company. Most stock is common stock. Investors who purchase it have voting rights at the company's annual stockholders' meeting. Common Stockholders are not guaranteed dividends, but they may receive higher dividends during the company's prosperous periods. If a company fails or liquidates,

common stockholders are paid after bondholders and preferred stockholders. (also see **Preferred Stock**)

**Competitive Trader** — A member of the Exchange who trades in stocks on the Floor for an account in which the member firm has an interest. Also known as Registered Trader.

**Conglomerate** — A corporation that has diversified in operations usually by acquiring enterprises in widely varied industries.

**Consolidated Balance Sheet** — A balance sheet showing the financial condition of a corporation and its subsidiaries. (see **Balance Sheet**)

**Consolidated Tape** — The ticker tape reporting transactions in NYSE listed securities that take place on the NYSE or any of the participating regional stock exchanges and other markets. Similarly, transactions in Amex listed securities, and certain other securities listed on regional stock exchanges, are reported on a separate tape.

**Convertible** — A bond, debenture or preferred share that may be exchanged by the owner for common stock or another security, usually of the same company, in accordance with the terms of the issue.

**Corporate Bond** — A bond issued by a corporation.

**Correspondent** — A securities firm, bank or other financial organization that regularly performs services for another in a place or market to which the other does not have direct access. Securities firms may have correspondents in foreign countries or on exchanges of which they are not members. Correspondents are frequently linked by private wires. Member organizations of the NYSE with offices in New York City may also act as correspondents for out-of-town member organizations that do not maintain New York offices.

**Coupon Bond** — Bond with interest coupons attached. The coupons are clipped as they come due and presented by the holder for payment of interest. (See **Bearer Bond**, **Registered Bond**)

**Covered Option** — An option position that is offset by an equal and opposite position in the underlying security.

**Cumulative Preferred** — A stock having a provision that if one or more dividends are omitted, the omitted dividends must be paid before dividends may be paid on the company's common stock.

**Cumulative Voting** — A method of voting for corporate directors that enables the shareholders to multiply the

number of their shares by the number of directorships being voted on and to cast the total for one director or a selected group of directors. A 10-shareholder normally casts 10 votes for each of, say, 12 nominees to the board of directors. One thus has 120 votes. Under the cumulative voting principle, one may do that or may cast 120 (10x12) votes for only one nominee, 60 for two, 40 for three, or any other distribution one chooses. Cumulative voting is required under the corporate laws of some states and is permitted in most others.

**Current Assets** — Those assets of a company that are reasonably expected to be realized in cash, or sold, or consumed during one year. These include cash, U.S. Government bonds, receivables and money due usually within one year, and inventories.

**Current Liabilities** — Money owed and payable by a company, usually within one year.

**Current Return** — (see **Yield**)

## D

**Day Order** — An order to buy or sell which, if not executed, expires at the end of the trading day on which it was entered.

**Dealer** — An individual or firm in the securities business who buys and sells stocks and bonds as a principal rather than an agent. The dealer's profit or loss is the difference between the price paid and the price received for the same security. The dealer's confirmation must disclose to the customer that the principal has been acted upon. The same individual or firm may function, at different times, either as broker or dealer. (see **NASD, Specialist**)

**Debenture** — A promissory note backed by the general credit of a company and usually not secured by any specific collateral, such as a mortgage or property.

**Debit Balance** — In a customer's margin account, that portion of the purchase price of stock, bonds or commodities that is covered by credit extended by the broker to the margin customer. (see **Margin**)

**Delayed Opening** — The postponement of trading of an issue on a stock exchange beyond the normal opening of a day's trading because of market conditions that have been judged by exchange officials to warrant such a delay. Reasons for the delay may be an influx of either buy or sell orders, an imbalance of buyers and sellers, or pending corporate news that requires time for dissemination.

**Depletion Accounting** — Natural resources, such as metals, oil, gas and timber, which conceivably can be reduced to zero over the years, present a special problem in capital management. Depletion is an accounting practice consisting of charges against earnings based upon the amount of the asset taken out of the total reserves in the period for which accounting is made. A bookkeeping entry, it does not represent any cash outlay nor are funds earmarked for that purpose.

**Depository Trust Company (DTC)** — A central securities certificate depository through which members effect security deliveries between each other via computerized bookkeeping entries thereby reducing the physical movement of stock certificates.

**Depreciation** — Normally, charges against earnings to write off the cost, less salvage value, of an asset over its estimated useful life. It is a bookkeeping entry and does not represent any cash outlay nor are funds earmarked for the purpose.

**Director** — Person elected by shareholders, usually during an annual meeting, to serve on the Board of Directors of a corporation. The directors appoint the president, vice president and all other operating officers. Directors decide, among other matters, if and when dividends shall be paid.

**Discount** — The amount by which a preferred stock or bond may sell below its par value. Also used as a verb to mean "takes into account" as the price of the stock has discounted the expected dividend cut. (see **Proxy**)

**Discretionary Account** — An account in which the customer gives the broker or someone else discretion to buy and sell securities or commodities including selection, timing, amount, and price to be paid or received.

**Diversification** — Spreading investments among different types of securities and various companies in different fields.

**Dividend** — The payment designated by the Board of Directors to be distributed pro rata among the shares outstanding. For preferred shares, the dividend is usually a fixed amount. For common shares, the dividend varies with the fortunes of the company and the amount of cash on hand, and may be omitted if business is poor or if the directors determine to withhold earnings to invest in plants and equipment. Sometimes a company will pay a dividend out of past earnings even if it is not currently operating at a profit.

**Dividend Reinvestment Plan (DRIP)** — A program offered by companies that allow investors to buy their stock directly from the company, without using a

brokerage firm. DRIP allows investors to use their dividends to purchase additional shares of stock in the company.

**Dollar Cost Averaging** — A system of buying securities at regular intervals with a fixed dollar amount. Under this system investors buy by the dollars' worth rather than by the number of shares. If each investment is of the same number of dollars, payments buy more shares when the price is low and fewer when it rises. Thus temporary downswings in price benefit investors if they continue periodic purchases in both good times and bad and the price at which the shares are sold is more than their average cost. (see **Formula Investing**)

**Down Tick** — (see **Up Tick**)

**Dow Theory** — A theory of market analysis based upon the performance of the Dow Jones industrial and transportation stock price averages. The Theory says that the market is in a basic upward trend if one of these averages advances above a previous important high, accompanied or followed by a similar advance in the other. When the averages both dip below previous important lows, this is regarded as confirmation of a downward trend. The Dow Jones is one type of market index. (see **NYSE Composite Index**)

## E

**Earnings Report** — A statement – also called an income statement – issued by a company showing its earnings or losses over a given period. The earnings report lists the income earned, expenses and the net result. (see **Balance Sheet**)

**Economic Indicator** — A key statistic in the overall economy that experts use as a yardstick to predict the performance of the stock market.

**Equipment Trust Certificate** — A type of security, generally issued by a railroad, to pay for new equipment. Title to the equipment, such as a locomotive, is held by a trustee until the notes are paid off. An equipment trust certificate is usually secured by a first claim on the equipment.

**Equity** — The ownership interest of common and preferred stockholders in a company.

**Ex-Dividend** — A synonym for “without dividend.” The buyer of a stock selling ex-dividend does not receive the recently declared dividend. Every dividend is payable on a fixed date to all shareholders recorded on the books of the company as of a previous date of record. For example, a dividend may be declared as

payable to holders of record on the books of the company on a given Friday. Since three business days are allowed for delivery of stock in a “regular way” transaction on the New York Stock Exchange, the Exchange would declare the stock “ex-dividend” as of the opening of the market on the preceding Wednesday. That means anyone who bought it on or after that Wednesday would not be entitled to that dividend. When stocks go ex-dividend, the stock tables include the symbol “x” following the name. (see **Cash Sale, Net Change, Transfer**)

**Exercise** — Action taken by an option holder that requires the writer to perform the terms of the contract.

**Exercise Prices** — The prices at which an option may be exercised. Also called strike prices.

**Expiration Date** — The date the option contract expires.

**Ex-Rights** — Without the rights. Corporations raising additional money may do so by offering their stockholders the right to subscribe to new or additional stock, usually at a discount from the prevailing market price. The buyer of a stock selling ex-rights is not entitled to the rights. (see **Ex-Dividend, Rights**)

**Extra** — The short form of “extra dividend.” A dividend in the form of stock or cash in addition to the regular or usual dividend the company has been paying.

## F

**Face Value** — The value of a bond that appears on the face of the bond, unless the value is otherwise specified by the issuing company. Face value is ordinarily the amount the issuing company promises to pay at maturity. Face value is not an indication of market value. Sometimes referred to as par value. (see **Par**)

**Fair Market Price** — A reasonable price for securities based on supply and demand.

**Financial Futures** — Futures contracts based on financial instruments such as U.S. Treasury bonds, CDs and other interest-sensitive issues, currencies and stock market indicators. (see **Futures, Stock Index Futures**)

**Fiscal Year** — A corporation’s accounting year. Due to the nature of that particular business, some companies do not use the calendar year for their bookkeeping. A typical example is the department store that finds December 31 too early a date to close its books

after the Christmas rush. For that reason many stores wind up their accounting year January 31. Their fiscal year, therefore, runs from February 1 of one year through January 31 of the next. The fiscal year of other companies may run from July 1 through the following June 30. Most companies, though, operate on a calendar year basis.

**Fixed Charges** — A company’s fixed expenses, such as bond interest, which it has agreed to pay whether or not earned, and which are deducted from income before earnings in equity capital are computed.

**Flat Income Bond** — This term means that the price at which a bond is traded includes consideration for all unpaid accruals of interest. Bonds that are in default of interest or principal are traded flat. Income bonds that pay interest only to the extent earned are usually dealt in “and interest,” which means that the buyer pays to the seller the market price plus interest accrued since the last payment date.

**Floor** — The huge trading area – about the size of a football field – where stocks are bought and sold on the New York Stock Exchange.

**Floor Brokers** — The largest single membership group of the NYSE. There are two main types: Commission brokers, employed by brokerage houses, buy and sell securities on the NYSE floor for the general public. Independent floor brokers work for themselves. They execute orders for brokerages without full-time commission brokers or for overly busy brokers.

**Formula Investing** — An investment technique. One formula calls for the shifting of funds from common shares to preferred shares or bonds as a selected market indicator rises above a certain predetermined point – and the return of funds to common share investments as the market average declines. (see **Dollar Cost Averaging**)

**Free and Open Market** — A market in which supply and demand are freely expressed in terms of price. Contrasts with a controlled market in which supply, demand and price may all be regulated.

**Fundamental Research** — Analysis of industries and companies based on such factors as sales, assets, earnings, products or services, markets and management. As applied to the economy, fundamental research includes consideration of gross national product, interest rates, unemployment, inventories, savings, etc. (see **Technical Research**)

**Futures** — A contract specifying a future date of delivery or receipt of a certain amount of a specific tangible or intangible product. The commodities traded in futures markets include stock index futures; agricultural products like wheat, soybeans and pork bellies; metals; and financial instruments. Futures are used by business as a hedge against unfavorable price changes and by speculators who hope to profit from such changes.

## G

**General Mortgage Bond** — A bond that is secured by a blanket mortgage on the company's property but may be outranked by one or more other mortgages.

**Gilt-Edged** — High-grade bond issued by a company that has demonstrated its ability to earn a comfortable profit over a period of years and pay its bondholders their interest without interruption.

**Give-Up** — A term with many different meanings. For one, a member of the Exchange on the floor may act for a second member by executing an order for him with a third member. The first member tells the third member that he is acting on behalf of the second member and "gives up" the second member's name rather than his own.

**Gold Fix** — The setting of the price of gold by dealers (especially in a twice-daily London meeting at the central bank); the fix is the fundamental worldwide price for setting price of gold boullion and gold-related contracts and products.

**Good Delivery** — Certain basic qualifications must be met before a security sold on the Exchange may be delivered. The security must be in proper form to comply with the contract of sale and to transfer title to the purchaser.

**Good 'Til Canceled (GTC) Order** — An order to buy or sell at a specific price until the investor cancels the order.

**Going Public** — When a company sells shares of itself to the public to raise capital.

**Government Bond** — A bond issued by the federal government.

**Growth Stock** — Stock of a company with a record of earnings growth at a relatively high rate.

## H

**Hedging** — The purchase or sale of a derivative security (such as options or futures) in order to reduce or neutralize all or some portion of the risk of holding another security.

**Holding Company** — A corporation that owns the securities of another, in most cases with voting control.

**Hypothecation** — The pledging of securities as collateral – for example, to secure the debit balance in a margin account.

## I

**Income Bond** — Generally, income bonds promise to repay principal but to pay interest only when earned. In some cases unpaid interest on an income bond may accumulate as a claim against the corporation when the bond becomes due. An income bond may also be issued in lieu of preferred stock.

**Income Statement** — A report on a company's financial status over a period of time. It totals profits, subtracts expenses and pinpoints how much money the company can reinvest.

**Income Stock** — Common stocks that pay large dividends that an investor could use as income.

**Indenture** — A written agreement under which bonds and debentures are issued, setting forth maturity date, interest rate, and other terms.

**Independent Broker** — Member on the floor of the NYSE who executes orders for other brokers having more business at that time than they can handle themselves, or for firms who do not have their Exchange member on the floor. Formerly known as two-dollar brokers from the time when these independent brokers received \$2 per hundred shares of executing such orders. Their fees are paid by the commission brokers. (see **Commission Broker**)

**Index** — A statistical yardstick expressed in terms of percentages of a base year or years. For instance, the NYSE Composite Index of all NYSE common stocks is based on year-end 1965 as 50. An index is not an average. (see **Averages**, **NYSE Composite Index**)

**Inflation** — Increase in the prices for goods and services.

**Inflation Rate** — An important economic indicator. The rate at which prices are rising.

**Initial Public Offering (IPO)** — A corporation's first offering of stock to the public.

**Institutional Investor** — An organization whose primary purpose is to invest its own assets or those held in trust by it for others. Includes pension funds, investment companies, insurance companies, insurances and banks.

**Interest** — Payments borrowers pay lenders for the use of their money. A corporation pays interest on its bonds to its bondholders.

**Interest Rate** — Another important economic indicator. The price, calculated as a percentage of the money loaned, that banks are charging borrowers for the use of the banks' money.

**Intermarket Trading System (ITS)** — An electronic network of U.S. exchanges and NASD broker/dealers. The ITS system displays quotes of stocks traded on multiple exchanges. This allows specialists and traders to get the best possible price of a stock for their customers.

**Interrogation Device** — A computer terminal that provides market information – last sale price, quotes, volume, etc. – on a screen or paper tape.

**Intrinsic Value** — The dollar amount of the difference between the exercise price of an option and the current cash value of the underlying security. Intrinsic value and time value are the two components of an option premium, or price.

**Inventory** — All the raw materials and finished products a company has in its possession.

**Investment** — The use of money for the purpose of making more money, to gain income or increase capital, or both.

**Investment Banker** — Also known as an underwriter, the “middleman” between a corporation issuing new securities and the public. The usual practice is for one or more investment bankers to buy outright from a corporation a new issue of stocks or bonds. The group forms a syndicate to sell the securities to individuals and institutions. Investment bankers also distribute very large blocks of stock or bonds — perhaps held by an estate.

**Investment Company** — A company or trust that uses its capital to invest in other companies. There are two principal types: the closed end and the open end, also known as a mutual fund. Shares of closed-end investment companies, most of which are listed on the NYSE, are readily transferable in the open market and are bought and sold like shares of stock. Capitalization of these companies remains the same unless action is taken to change, which is rare. Open-end funds sell their own new shares to investors, stand ready to buy back their old shares, and are not listed. Open-end funds are so called because their capitalization is not fixed; they issue more shares as people want them.

**Investment Counsel** — One whose principal business consists of acting as investment adviser and rendering investment supervisory services.

**Investment Portfolio** — A variety of securities owned by an individual or an institution.

**IRA** — Individual Retirement Account. A pension plan with tax advantages, IRA permits investment through intermediaries like mutual funds, insurance companies and banks or directly in stocks and bonds through stockbrokers. (see **Keogh Plan**)

**Issue** — Any of a company's securities, or the act of distributing such securities.

## K

**Keogh Plan** — Tax advantaged personal retirement program that can be established by a self-employed individual. (see **IRA**)

## L

**Legal List** — A list of investments selected by various states in which certain institutions and fiduciaries, such as insurance companies and banks, may invest. Legal lists are often restricted to high quality securities meeting certain specifications. (see **Prudent Man Rule**)

**Leverage** — The effect on a company when the company has bonds, preferred stock, or both outstanding. Example: If the earnings of a company with 1,000,000 common shares increases from \$1,000,000 to \$1,500,000 – earnings per share would go from \$1 to \$1.50, or an increase of 50 percent. But if earnings of a company that had to pay \$500,000 in bond interest increased that much – earnings per common share would jump from 50 cents to \$1 a share, or 100 percent.

**Liabilities** — All the claims against a corporation. Liabilities include accounts, wages and salaries payable; dividends declared payable; accrued taxes payable; fixed or long-term liabilities, such as mortgage bonds, debentures and bank loans. (see **Assets, Balance Sheet**)

**Limit Order** — An order to buy or sell when and if a security reaches a specific price.

**Liquidate** — When a company fails, the process of converting all of its assets back into cash and distributing it to those with a claim on it.

**Liquidity** — (1) How easily one's assets can be converted back into cash. For example, money in an account that can't be withdrawn for ten years is

not very liquid. (2) The ability of the market in a particular security to absorb a reasonable amount of buying or selling at reasonable price changes. Liquidity is one of the most important characteristics of a good market.

**Listed Stock** — The stock of a company that is traded on a securities exchange. The various stock exchanges have different standards for listing. Some of the guides used by the New York Stock Exchange for an original listing are national interest in the company and a minimum of 1.1 million shares publicly held among no less than 2,000 round-lot stockholders. The publicly held common shares should have a minimum aggregate market value of \$40 million. The company should have net income in the latest year of over \$2.5 million before federal income tax and \$2 million in each of the preceding two years.

**Load** — The portion of the offering price of shares of open-end investment companies in excess of the value of the underlying assets. Covers sales commissions and all other costs of distribution. The load is usually incurred only on purchase, there being, in most cases, no charge when the shares are sold (redeemed). (see **Investment Company**)

**Locked In** — Investors are said to be locked in when they have profit on a security they own but do not sell because their profit would immediately become subject to the capital gains tax.

**Long** — Signifies ownership of securities. "I am long 100 U.S. Steel" means the speaker owns 100 shares. (see **Short Position, Short Sale**)

## M

**Manipulation** — An illegal operation. Buying or selling a security for the purpose of creating false or misleading appearance of active trading or for the purpose of raising or depressing the price to induce purchase or sale by others.

**Margin** — The amount paid by the customer when using a broker's credit to buy or sell a security. Under Federal Reserve regulations, the initial margin required since 1934 has ranged from 40% of the purchase price up to 100%. Since 1974 the current rate of 50% has been in effect. (see **Brokers' Loans, Equity**)

**Margin Call** — A demand upon a customer to put up money or securities with the broker. The call is made when a purchase is made; also if a customer's equity in a margin account declines below a minimum standard set by the Exchange or by the firm.

**Market Order** — An order to buy or sell at the best price currently available on the Trading Floor.

**Market Price** — The last reported price at which the stock or bond sold, or the current quote. (see **Quote**.)

**Maturity Date** — The date that a bond comes due and must be paid off.

**Member Corporation** — A securities brokerage firm, organized as a corporation, with at least one member of the New York Stock Exchange who is an officer or employee of the corporation.

**Member Firm** — A securities brokerage firm, organized as a corporation, partnership or sole proprietorship with at least one member of the NYSE who is an officer or employee of the corporation.

**Member Organization** — This term includes New York Stock Exchange Member firms *and* Member Corporations.

**Merger** — Combination of two or more corporations.

**Money Market Account** — An account in which your money is reinvested in short-term securities by the bank or investment firm managing the account.

**Money Market Fund** — A mutual fund whose investments are in high-yield money market instruments such as federal securities, CDs and commercial paper. Its intent is to make such instruments, normally purchased in large denominations by institutions, available indirectly to individuals. (see **Certificate of Deposit, Commercial Paper**)

**Mortgage Bond** — A bond secured by a mortgage on a property. The value of the property may or may not equal the value of the bond issued against it. (see **Bond, Debenture**)

**Municipal Bond** — A bond issued by a county, city, district or authority.

**Mutual Fund** — (see **Investment Company**)

## N

**Naked Option** — An option position that is *not* offset by an equal and opposite position in the underlying security.

**NASD** — The National Association of Securities Dealers, an association of brokers and dealers in the over-the-counter securities business.

**Nasdaq** — An automated information network that provides brokers and dealers with price quotations on securities traded over-the-counter. (see **Over-The-Counter**)

**Negotiable** — Refers to a security, title to which is transferable by delivery.

**Net Asset Value** — Usually used in connection with investment companies to mean net asset value per share. An investment company computes its assets daily, or even twice daily, by totaling the market value of all securities owned. All liabilities are deducted, and the balance divided by the number of shares outstanding. The resulting figure is the net asset value per share. (see **Assets, Investment Company**)

**Net Change** — The change in the price of a security from the closing price of one day to the closing price on the next day on which the stock is traded. The net change is ordinarily the last figure in the newspaper stock price list. The mark + 1<sup>1</sup>/<sub>8</sub> means up \$1.125 a share from the last sale on the previous day the stock traded.

**New Issue** — A stock or bond sold by a corporation for the first time. Proceeds may be used to retire outstanding securities of the company, for new plants or equipment, for additional working capital, or to acquire a public ownership interest in the company for private owners.

**New York Stock Exchange (NYSE)** — The largest organized securities market in the United States, founded in 1792. The Exchange itself does not buy, sell own, or set the price of securities traded there. The prices are determined by the public supply and demand. The Exchange is a not-for-profit corporation of 1,366 individual members, governed by a Board of Directors consisting of 12 public representatives, 12 member firm representatives, and a fulltime chairman, executive vice chairman and president.

**Noncumulative** — A type of preferred stock on which unpaid dividends do not accrue. Omitted dividends are, as a rule, gone forever. (see **Cumulative Preferred**)

**NYSE Composite Index** — The composite index covering price movements of all common stocks listed on the New York Stock Exchange. It is based on the close of the market December 31, 1965 as 50.00 and is weighed according to the number of shares listed for each issue. The index is computed continuously and printed on the ticker tape. Point changes in the index are converted to dollars and cents so as to provide a meaningful measure of changes in the average price of listed stocks. The composite index is supplemented by separate indexes for four industry groups: industrial, transportation, utility and finance. (see **Averages**)

## O

**Odd Lots** — Stock transactions that involve less than 100 shares.

**Off-board** — This term may refer to transactions over-the-counter in unlisted securities or to a transaction of listed shares that is not executed on a national securities exchange.

**Offer** — The price at which a person is ready to sell. Opposed to bid, the price at which one is ready to buy. (see **Bid and Asked**)

**Open-End Investment Company** — (see **Investment Company**)

**Open Interest** — In options and futures trading, the number of outstanding option contracts, at a given point in time, which have not been exercised and have not yet reached expiration.

**Open Order** — (see **Good 'Til Canceled Order**)

**Options** — A right to buy or sell a fixed amount of a given stock at a specified price within a limited period of time. If the right is not exercised the option expires and the buyer forfeits the money.

**Orders** — Specific instructions for handling transactions.

**Overbought** — An opinion as to price levels. May refer to a security that has had a sharp rise or to the market as a whole after a period of vigorous buying which, it may be argued, has left prices “too high.”

**Oversold** — The reverse of overbought. A single security or a market which, it is believed, has declined to an unreasonable level.

**Over-The-Counter (OTC)** — A market for securities made up of dealers who may or may not be members of a securities exchange. The OTC market is conducted over the telephone and deals mainly with stocks of companies without sufficient shares, stockholders or earnings to warrant listing on an exchange. OTC firms may act either as principals or dealers (buying or selling stock from their own inventory and charging a markup) or as a broker or agent and charging a commission.

## P

**Paper Profit (Loss)** — An unrealized profit or loss on a security still held. Paper profits and losses become realized only when the security is sold. (see **Profit-Taking**)

**Par** — Equal to the nominal or face value of a security.

**Participating Preferred** — A preferred stock, that is entitled to its stated dividend, and, also, to additional dividends on a specific basis upon payment of dividends on the common stock.

**Partnership** — A business relationship in which two or more people agree to share the risks and profits of running a business.

**Passed Dividend** — Omission of a regular or scheduled dividend.

**Penny Stocks** — Low-priced issues, often highly speculative, selling at less than \$1 a share. Frequently used as a term of disparagement, although some penny stocks have developed into investment-caliber issues.

**Point** — In the case of shares of stock, a point means \$1. If ABC shares rise 3 points, each share has risen \$3. In the case of bonds a point means \$10, since a bond is quoted as a percentage of \$1000. A bond that rises 3 points gains 3 percent of \$1000, or \$30 in value. An advance from 87 to 90 would mean an advance in dollar value from \$870 to \$900. In the case of market averages, the word point means merely that and no more. If, for example, the NYSE Composite Index rises from 90.25 to 91.25, it has risen a point. A point in this index, however, is not equivalent to \$1. (see **Indexes**)

**Portfolio** — Holdings of securities by an individual or institution.

**Preferred Stock** — A class of stock with a claim on the company's earnings before payment may be made on common stock and usually entitled to priority over common stockholders if the company fails or liquidates. Preferred stock also is entitled to dividends at a specified rate when declared by the company's board of directors and before payment of a dividend on the common stock. Preferred stock normally does not include voting rights.

**Premium** — The amount by which a bond or preferred stock may sell above its par value. For options, the price that the buyer pays the writer for an option contract (“option premium” is synonymous with “the price of an option”). May refer, also, to redemption price of a bond or preferred stock if it is higher than face value. (see **Discount**)

**Price-Earnings Ratio** — A popular way to compare stocks selling at various price levels. The PE ratio is the price of a share of stock divided by earnings per share for a twelve-month period. For example, a stock selling for \$50 a share that earned \$5 a share is said to be selling at a price-earnings ratio of 10.

**Primary Distribution** — Also called primary or public offering. The original sale of a

company's securities. (see **Investment Banker**)

**Primary Market** — The process by which a corporation's stock is issued for the first time. It is then sold to the public on the secondary market.

**Prime Rate** — The lowest interest rate charged by commercial banks to their most creditworthy and largest corporate customers; other interest rates such as personal, automobile, commercial and financing loans are often pegged to the prime.

**Principal** — The person for whom a broker executes an order or dealers buying or selling for their own accounts. The term “principal” may also refer to a person's capital or to the face amount of a bond.

**Profit-Taking** — Selling stock which has appreciated in value since purchase, in order to realize the profit. The term is often used to explain a downturn in the market following a period of rising prices. (see **Paper Profit**)

**Prospectus** — A document that provides details about a new offering of securities for sale to the public. It gives a detailed financial background of the issuing company, how the proceeds of the securities will be used, and other pertinent information investors will need to make an informed decision.

**Proxy** — Written authorization given by a shareholder to someone else to represent him and vote his shares at a shareholders' meeting.

**Proxy Statement** — Information given to stockholders in conjunction with the solicitation of proxies.

**Prudent Man Rule** — An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest the fund's money only in a list of securities designated by the state – the so-called legal list. In other states, the trustee may invest in a security if it is one that would be bought by a prudent man of discretion and intelligence, who is seeking a reasonable income and preservation of capital.

**Public Offering** — (see **Primary Distribution**)

**Puts and Calls** — (see **Option**)

## Q

**Quote** — The highest bid to buy and the lowest offer to sell any stock at a given time.

## R

**Rally** — A brisk rise following a decline in the general price level of the market, or in an individual stock.

**Rate of Return** — In stocks and bonds, the amount of money returned to investors on their investments. Also known as **yield**.

**Recession** — A period of no or negative economic growth and high unemployment.

**Record Date** — The date on which you must be registered as a shareholder of a company in order to receive a declared dividend or, among other things, to vote on company affairs. (see **Ex-Dividend, Transfer**)

**Redemption Price** — The price at which a bond may be redeemed before maturity, at the option of the issuing company. Redemption value also applies to the price the company must pay to call in certain types of preferred stock. (see **Callable**)

**Red Herring** — (see **Prospectus**)

**Refinancing** — Same as refunding. New securities are sold by a company and the money is used to retire existing securities. Object may be to save interest costs, extend the maturity of the loan, or both.

**Registered Bond** — A bond that is registered on the books of the issuing company in the name of the owner. It can be transferred only when endorsed by the registered owner. (see **Bearer Bond, Coupon Bond**)

**Registered Competitive Market Maker** — Members of the New York Stock Exchange who trade on the floor for their own or their firm's account and who have an obligation, when called upon by an Exchange official, to narrow a quote or improve the depth of an existing quote by their own bid or offer.

**Registered Representative** — The person, normally employed by a brokerage firm or broker/dealer, who acts as an account executive for customers to buy and sell securities. The term registered means the individual has passed qualifying securities examinations and is registered with the SEC.

**Registrar** — Usually a trust company or bank charged with the responsibility of keeping a record of the owners of a corporation's securities and preventing the issuance of more than the authorized amount. (see **Transfer**)

**Registration** — Before a public offering may be made of new securities by a company, the securities must be registered under the Securities Act of

1933. A registration statement is filed with the SEC by the issuer. It must disclose pertinent information relating to the company's operations, securities, management and purpose of the public offering. Before a security may be admitted to dealings on a national security exchange, it must be registered under the Securities Exchange Act of 1934. The application for registration must be filed with the exchange and the SEC by the company issuing the securities.

**Regular Way Delivery** — Unless otherwise specified, securities sold on the New York Stock Exchange are to be delivered to the buying broker by the selling broker and payment made to the selling broker by the buying broker on the third business day after the transaction. Regular delivery for bonds is the following business day. (see **Transfer**)

**Regulation T** — The federal regulation governing the amount of credit that may be advanced by brokers and dealers to customers for the purchase of securities. (see **Margin**)

**Regulation U** — The federal regulation governing the amount of credit that may be advanced by a bank to its customers for the purchase of listed stock. (see **Margin**)

**Regulatory Pyramid** — A network of safeguards that surrounds the securities industry – from individual brokerages all the way up to the U.S. Congress.

**Reinvest** — Funneling of profits back into a company to enhance its operations. An individual stockowner can also reinvest by designating that dividends paid on stock will be used to purchase additional shares of that stock.

**REIT** — Real Estate Investment Trust, an organization similar to an investment company in some respects but concentrating its holdings in real estate investments. The yield is generally liberal since REITs are required to distribute as much as 90% of their income. (see **Investment Company**)

**Retained Earnings** — Profits a company keeps for its operations, after paying taxes and dividends.

**Rights** — When a company wants to raise more funds by issuing additional securities, it may give its stockholders the opportunity, ahead of others, to buy the new securities in proportion to the number of shares each owns. The piece of paper evidencing this privilege is called a right. Because the additional stock is usually offered to stockholders below the current market price, rights

ordinarily have a market value of their own and are actively traded. In most cases they must be exercised within a relatively short period. Failure to exercise or sell rights may result in monetary loss to the holder. (see **Warrant**)

**Right to vote** — The right of common stockholders to vote on matters of corporate policy at an annual stockholder’s meeting. The impact of a stockholder’s vote is proportionate to the amount of stock owned.

**Round Lot Order** — An order to buy or sell in multiples of 100 shares.

## S

**Scale Order** — An order to buy (or sell) a security, that specifies the total amount to be bought (or sold) at specified price variations.

**Scripophily** — A term coined in the mid-1970s to describe the hobby of collecting antique bonds, stocks and other financial instruments. Values are affected by beauty of the certificate and the issuer’s role in world finance and economic development.

**Seat** — The traditional term for the right to trade on the Trading Floor of the NYSE. The owners of seats are considered members of the NYSE.

**SEC** — The Securities and Exchange Commission, established by Congress to help protect investors. The SEC administers the Securities Act of 1933, the Securities Exchange Act of 1934, the Securities Act Amendment of 1975, the Trust Indenture Act, the Investment Company Act, the Investment Advisers Act, and the Public Utility Holding Company Act.

**Secondary Distribution** — Also known as secondary offering. The redistribution of a block of stock some time after it has been sold by the issuing company. The sale is handled off the NYSE by a securities firm or group of firms and the shares are usually offered at a fixed price related to the current market price of the stock. Usually the block is a large one, such as might be involved in the settlement of an estate. The security may be listed or unlisted. (see **Investment Banker, Primary Distribution**)

**Secondary Market** — When stocks or bonds are traded or resold, they are said to be sold on the secondary market. The majority of all securities transactions takes place on the secondary market.

**Securities and Exchange Commission (SEC)** — A watchdog agency created by the U.S. Congress to monitor the securities industry and enforce punishments of those that violate the industry’s regulations.

**Securities Investors Protection Corporation (SIPC)** — A safeguard for investors capital created by Congress. The SIPC insures that cash and securities on deposit with a brokerage are insured up to \$500,000 per customer, in the event that the brokerage goes out of business.

**Self-Regulation** — The way in which the securities industry monitors itself to create a fair and orderly trading environment.

**Sell Side** — A broker/dealer who sells expertise in research, order execution or any other service to an individual or institution.

**Seller’s Option** — A special transaction on the NYSE, that gives the seller the right to deliver the stock or bond at any time within a specified period, ranging from no less than two business days to no more than 60 days.

**Serial Bond** — An issue that matures in part at periodic stated intervals.

**Settlement** — Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivers securities sold and receives from the broker the proceeds of a sale. (see **Regular Way Delivery, Cash Sale**)

**Short Covering** — Buying stock to return stock previously borrowed to make delivery on a short sale.

**Short Position** — Stock options, or futures contracts sold short and not covered as of a particular date. On the NYSE, a tabulation is issued once a month listing all issues on the Exchange in which there was a short position of 5,000 or more shares and issues in which the short position had changed by 2,000 or more shares in the preceding month. Short position also means the total amount of stock an individual has sold short and has not covered, as of a particular date.

**Short Sale** — A transaction by a person who believes a security will decline and sells it, though the person does not own the security. For instance: You instruct your broker to sell 100 shares of XYZ. Your broker borrows the stock so delivery of the 100 shares can be made to the buyer. The money value of the shares borrowed is deposited by your broker with the lender. Sooner or later you must cover your short sale by buying the same amount of stock you borrowed for return to the lender. If you are able to buy XYZ at a lower price than you sold it for, your profit is the difference between the two prices – not counting

commission and taxes. But if you have to pay more for the stock than the price you received, that is the amount of your loss. Stock exchange and federal regulations govern and limit the conditions under which a short sale may be made on a national securities exchange. Sometimes people will sell short a stock they already own in order to protect a paper profit. This is known as selling short against the box.

**SIAC** — Securities Industry Automation Corporation, an independent organization established by the New York and American Stock Exchanges as a jointly owned subsidiary to provide automation, data processing, clearing and communication services.

**Sinking Fund** — Money regularly set aside by a company to redeem its bonds, debentures or preferred stock from time to time as specified in the indenture or charter.

**SIPC** — Securities Investor Protection Corporation, which provides funds for use, if necessary, to protect customers' cash and securities that may be on deposit with a SIPC member firm in the event the firm fails and is liquidated under the provisions of the SIPC Act. SIPC is not a Government Agency. It is a non-profit membership

corporation created, however, by an Act of Congress.

**Sole Proprietorship** — Any business that is owned and operated by a single individual.

**Specialist** — A member of the NYSE who has two primary functions. First, to maintain an orderly market in the securities assigned to the specialist. To do this, the specialist must, to a reasonable degree, buy or sell for their own account when there is a temporary disparity between supply and demand. Second, the specialist acts as a broker's broker. When commission brokers on the Exchange Floor receive a limit order, say, to buy at \$50 a stock then selling at \$60, they cannot wait at the post where the stock is traded to see if the price reaches the specified level. They leave the order with the specialist, who will try to execute it in the market if and when the stock declines to the specified price. At all times the specialists must put their customers' interests above their own.

**Speculation** — The employment of funds by a speculator. Safety of principal is a secondary factor. (see **Investment**)

**Spin Off** — The separation of a subsidiary or division of a corporation from its parent by issuing shares in a new corporate entity. Shareowners in the parent receive shares in the

new company in proportion to their original holding and the total value remains approximately the same.

**Split** — The division of the outstanding shares of a corporation into either a larger or smaller number of shares, without any immediate impact in individual shareholder equity. For example, a 3-for-1 forward split by a company with 1 million shares outstanding results in 3 million shares outstanding. Each holder of 100 shares before the split would have 300 shares worth less, although the proportionate equity in the company would stay the same. A reverse split would reduce the number of shares outstanding and each share would be worth more.

**Stock** — (see **Capital Stock, Common Stock and Preferred Stock**)

**Stock Exchange** — An organized marketplace for securities featured by the centralization of supply and demand for the transaction of orders by member brokers for institutional and individual investors. (see **New York Stock Exchange**)

**Stock Dividend** — A dividend paid in securities rather than cash. The dividend may be additional shares of the issuing company, or in shares of another company (usually a

subsidiary) held by the company.

**Stockholder of Record** — A stockholder whose name is registered on the books of the issuing corporation. (see **Registrar**)

**Stockholders' Equity** — The value of all the stock owned by the shareholders of a particular company. Also known as net worth.

**Stock Index** — A way of using a select group of stocks for long term evaluation. The performance of a group of stocks that experts regard as important is averaged, and over time that average serves as an indicator of the market's general movement.

**Stock Index Futures** — Futures contracts based on market indexes.

**Stock Ticker Symbols** — Every corporation whose transactions are reported on the NYSE or AMEX ticker or on Nasdaq has been given a unique identification symbol of up to four letters. These symbols abbreviate the complete corporate name and facilitate trading and ticker reporting. Some of the most famous symbols are: T (American Telephone & Telegraph), XON (Exxon), GM (General Motors), IBM (International Business

Machines), S (Sears Roebuck) and XRX (Xerox).

**StockWatch** — The NYSE's state-of-the-art computer surveillance unit. StockWatch monitors the stock market for suspicious signals and detects illegal transactions.

**Stop Limit Order** — A stop order that becomes a limit order after the specified stop price has been reached. (see **Limit Order, Stop Order**)

**Stop Order** — An order to buy at a price above or sell at a price below the current market. Stop buy orders are generally used to limit or protect unrealized profits on a short sale. Stop sell orders are generally used to protect unrealized profits or limit loss on a holding. A stop order becomes a market order when the stock sells at or beyond the specified price and, thus, may not necessarily be executed at that price.

**Street Name** — Securities held in the name of a broker instead of a customer's name are said to be carried in "street name." This occurs when the securities have been bought on margin or when the customer wishes the security to be held by the broker.

**SuperDot** — The electronic order-routing system through which NYSE member firms transmit market and limit orders directly to the trading post where the security is

traded or to the member firm's booth. After the order has been completed in the auction market, a report of execution is returned directly to the member firm office over the same electronic circuit that brought the order to the Trading Floor.

**Swapping** — Selling one security and buying a similar one almost at the same time to take a loss, usually for tax purposes.

**Syndicate** — A group of investment bankers who together underwrite and distribute a new issue of securities or a large block of an outstanding issue.

## T

**Technical Research** — Analysis of the market and stocks based on supply and demand. The technician studies price movements, volume, trends and patterns, which are revealed by charting these factors, and attempts to assess the possible effects of current market action or future supply and demand for securities and individual issues. (see **Fundamental Research**)

**Tender Offer** — A public offer to buy shares from existing stockholders of one public corporation by another company or other organization under specified terms good for a certain time period. Stock-

holders are asked to "tender" (surrender) their holdings for stated value, usually at a premium above current market price, subject to the tendering of a minimum and maximum number of shares.

**Third market** — Trading of stock exchange listed securities in the over-the-counter market by non-exchange-member brokers.

**Ticker** — A telegraphic system that continuously provides the last sale prices and volume of securities transactions on exchanges. Information is either printed or displayed on a moving tape after each trade.

**Time Value** — The part of an option premium that is in excess of the intrinsic value.

**Trader** — Individuals who buy and sell for their own accounts for short-term profit. Also, an employee of a broker/dealer or financial institution who specializes in handling purchases and sales of securities for the firm and/or its clients. (see **Investor, Speculator**)

**Trading Floor** — (see **Floor**)

**Trading Posts** — The 17 horseshoe-shaped counters manned by clerks and specialists on the Trading Floor

of the NYSE are like stores where individual stocks are bought and sold. Each trading post is responsible for over 100 stocks. The actual buying and selling takes place around each post.

**Transfer** — This term may refer to two different operations. For one, the delivery of a stock certificate from the seller’s broker to the buyer’s broker and legal change of ownership, normally accomplished within a few days. For another, to record the change of ownership on the books of the corporation by the transfer agent. When the purchaser’s name is recorded, dividends, notices of meetings, proxies, financial reports and all pertinent literature sent by the issuer to its securities holders are mailed direct to the new owner. (see **Registrar, Street Name**)

**Transfer Agent** — A transfer agent keeps a record of the name of each registered shareowner, his or her address, the number of shares owned, and sees that certificates presented for transfer are properly cancelled and new certificates issued in the name of the new owner. (see **Registrar**)

**Treasuries** — Debt obligations of the U.S. government. Treasuries are among the safest investments, since they are secured by the full faith and

credit of the government. The interest of Treasuries is exempt from state and local taxes but is subject to federal income tax. There are three types of treasuries: Treasury Bills, with maturities of one year or less; Treasury Notes, with maturities ranging from one to 10 years; and Treasury Bonds, long-term instruments with maturities of 10 years or more.

**Treasury Stock** — Stock issued by a company but later reacquired. It may be held in the company’s treasury indefinitely, reissued to the public, or retired. Treasury stock receives no dividend and has no vote while held by the company.

**Triple Witching Hour** — The last trading hour on the third Friday of March, June, September and December when options and futures on stock indexes expire concurrently. (see **Options and Futures**)

**Turnover Rate** — The volume of shares traded in a year as a percentage of total shares listed on an Exchange, outstanding for an individual issue or held in an institutional portfolio.

## U

**Underlying** — The security that one has the right to buy or sell

according to the terms of an option contract.

**Underwriter** — (see **Investment Banker**)

**Unlisted Stock** — A security not listed on a stock exchange. (see **Over-the-Counter**)

**Up Tick** — A term used to designate a transaction made at a price higher than the preceding transaction. Also called a “plus tick.” A “zero plus” tick is a term used for a transaction at the same price as the preceding trade but higher than the preceding different price. Conversely, a down tick, or “minus” tick is a term used to designate a transaction made at a price lower than the preceding trade. A plus sign, or minus sign, is displayed throughout the day next to the last price of each stock at the trading post on the floor of the New York Stock Exchange.

## V

**Variable Annuity** — A life insurance policy where the annuity premium (a set amount of dollars) is immediately turned into units of a portfolio of stocks. Upon retirement, the policyholder is paid accordingly to accumulated units, the dollar value of which varies according to the performance of the stock

portfolio. Its objective is to enhance, through stock investment, the purchasing value of the annuity which otherwise is subject to erosion through inflation.

**Volume** — The number of shares or contracts traded in a security or an entire market during a given period. Volume is usually considered on a daily basis and a daily average is computed for longer periods.

**Voting Right** — The common stockholders’ right to vote their stock in the affairs of a company. Preferred stock usually has the right to vote when preferred dividends are in default for a specified period. The right to vote may be delegated by the stockholder to another person. (see **Cumulative Voting, Proxy**)

## W

**Warrant** — A certificate giving the holder the right to purchase securities at a stipulated price within a specified time limit or perpetually. Sometimes a warrant is offered with securities as an inducement to buy. (see **Rights**)

**When Issued** — A short form of “when, as and if issued.” The term indicates a conditional transaction in a security authorized for issuance but not as yet actually issued.

## Wor – Zer

All “when issued” transactions are on an “if” basis, to be settled if and when the actual security is issued and the exchange or National Association of Securities Dealers rules the transactions are to be settled.

**Working Capital** — The assets a company has that can be poured into the company’s operations.

**Working Control** — Theoretically, ownership of 51 percent of a company’s voting stock is necessary to exercise control. In practice — and this is particularly true in the case of a large corporation — effective control sometimes can be exerted through ownership, individually or by a group acting in concert, of less than 50 percent.

**Writer** — A person who assumes the obligation to sell (call) or buy (put) the underlying security at an option’s exercise

**Yield to Maturity** — The yield of a bond to maturity takes into account the price discount from or premium over the face amount. It is greater than the current yield when the bond is selling at a discount and less than the current yield when the bond is selling at a premium.

## Z

**Zero Coupon Bond** — A bond which pays no interest but is priced, at issue, at a discount from its redemption price.

# ACRONYMS

---

Acronyms describe many of the Exchange community’s key organizations, committee systems, and programs. This reference guide describes the most common acronyms used today.

## Y

**Yield** — In stocks and bonds, the amount of money returned to investors on their investments. Also known as **rate of return**.

## NYSE Affiliated Organizations

**DTC** — The Depository Trust Company – Provides a central securities certificate depository through which brokers deliver securities by computerized bookkeeping entries, vastly reducing physical transfer of stock certificates. DTC is operated by a separate management and has an independent board of directors

**NSCC** — National Securities Clearing Corporation – Facilitates trade processing, clearance, delivery and settlement of equities, and corporate and municipal bond transactions. NSCC is owned equally by the New York and American Stock Exchanges and the National Association of Securities Dealers.

**OCC** — Options Clearing Corporation – Clears options transactions. Partly owned by the NYSE.

**SECTOR** — Securities Telecommunications Organization – Provides the financial industry with communications lines. An industry-wide policy board oversees mutualized operations of this SIAC division.

**SIAC** — Securities Industry Automation Corporation – Operates New York and American Stock Exchange automation and communications systems; supporting trading, market data reporting, and surveillance activities. SIAC also supports NSCC's nationwide clearance and settlement systems, and is the systems processor for industry-wide National Market System components, such as the Consolidated Tape Association, Consolidated Quotation System, Options Price Reporting Association, and the Inter-market Trading System. SIAC is separately managed by an independent board of directors.

## Non-NYSE Affiliated Organizations

**CTA** — Consolidated Tape Association – Oversees the operations of the consolidated tape, which it developed, under a formal "CTA Plan" filed with the Securities and Exchange Commission. CTA is an independent, industry-wide organization.

**FIBV** — Federation Internationale des Bourses de Valeurs – The International Federation of Stock Exchanges – Encourages cooperative policies designed to stimulate a freer flow of capital across national boundaries. The NYSE is a member of this Paris-based organization.

**SIA** — Securities Industry Association – Represents the collective business interests of more than 500 brokerages and investment banking firms. Membership includes most NYSE member organizations, major firms of all U.S. and Canadian exchanges, and the over-the-counter market.

**SIPC** — Securities Industry Protection Corporation – A nonprofit membership corporation established by Congress in 1970 to protect investors' securities and cash held by broker-dealers in the event of liquidation. SIPC derives its annual assessments from U.S.-registered broker-dealers who are legally required to join.

## Other Financial Organizations

**ACE** – American Commodity Exchange

**AMEX** – American Stock Exchange

**BSE** – Boston Stock Exchange

**CBOE** – Chicago Board Options Exchange

**CBT** – Chicago Board of Trade

**CFTC** – Commodity Futures Trading Commission

**CHX** – Chicago Stock Exchange

**CME** – Chicago Mercantile Exchange

**COMEX** – Commodity Exchange of New York

**CSE** – Cincinnati Stock Exchange

**FIA** – Futures Industry Association

**KCBT** – Kansas City Board of Trade

**NAIC** – National Association of Investment Clubs

**NASD** – National Association of Securities Dealers

**NASDAQ** – National Association of Securities Dealers Automated Quotations. Provides price quotation for securities traded over the counter.

**NFA** – National Futures Association

**NSTA** – National Security Traders Association

**PHLX** – Philadelphia Stock Exchange

**PSE** – Pacific Stock Exchange

**SEC** – Securities and Exchange Commission

## Advisory Committees

**Blue-ribbon committees keep the NYSE Board of Directors accurately informed of the views, needs, and concerns of its many key constituents.**

**These committees are:**

**APAC** — Asia Pacific Advisory Committee – Advises on matters involving international capital markets and the views and concerns of the business and financial communities of the countries represented.

**EAC** — European Advisory Committee – Provides views and attitudes of the European corporate community regarding the NYSE's role in international matters. The committee consists of active or former chief executive officers of European-based companies or financial institutions. They provide views on strengthening NYSE policies and programs on internationalization, facilitating multinational corporate securities offerings, and strengthening communication with European corporations.

**ETAC** — Exchange Traders Advisory Committee – Advises on ways to strengthen the efficiency and expand the use of NYSE markets, and reviews policy issues affecting NYSE traders. The members, representatives of major NYSE member organizations, also advise the NYSE staff on the prospective impact of proposed

trading rules on NYSE traders, their needs and interests, and ways to strengthen communication with them.

**ICM** — International Capital Markets Advisory Committee – Advises on policies to strengthen the position of the U.S. as a world capital center and the NYSE as an international market. The committee's widely respected international finance experts receive and react to the NYSE's prospective international policies and programs, and advise on operating systems and procedures to facilitate nonresidents' trading in U.S. securities. They recommend programs to encourage the listing of foreign companies' securities in the U.S., and advise the staff on fulfilling the NYSE's obligations as a member of the International Federation of Stock Exchanges.

**IAC** — Individual Investors Advisory Committee – Provides counsel on the needs and concerns of individual investors. The committee advises the board on policies and programs to advance the interests of individuals who invest in equities, options, futures, and fixed income securities. In addition, the committee serves as a liaison and enhances communications between individual shareholders and the NYSE board.

## Advisory Committees

**ITAC** — Institutional Traders Advisory Committee – Advises on policies and procedures for strengthening the efficiency of NYSE markets. Its members, who represent leading financial institutions, also assist the NYSE staff in developing ways to improve communication with investing institutions. They provide views on the prospective impact of proposed trading rules on institutional investors' needs and interests.

**LAC** — Legal Advisory Committee – These distinguished members of the legal profession primarily advise on matters relating to corporate governance. They also advise on other subjects involving broad legal issues or principles directly or indirectly affecting the NYSE, the securities industry or capital markets. The committee also advises the Exchange staff on policies relating to the NYSE Listed Company Manual, the American Law Institute's Corporate Governance Project, financial services industry regulation, and the legal aspects of industry rules and regulations.

**LAAC** — Latin America Advisory Committee – Provides the representative views and attitudes of the Latin American corporate community on the role of the NYSE in international matters, including such areas as: strengthening Exchange policies and programs dealing with the internationalization of the capital markets; facilitating multinational offerings of corporate securities; monitoring legislative and regulatory proposals that impose duties or responsibilities on corporate boards of directors of publicly owned issuers; and strengthening communications between the Exchange and the Latin American corporate community.

**LCAC** — Listed Company Advisory Committee – Provides a forum for the securities-related concerns of listed companies, and advises the board on contemplated policies and programs affecting listed companies. It also acts as an NYSE staff sounding board on contemplated policies and programs affecting listed companies' interests and recommends, on its own initiative, policies or actions aimed at promoting those interests.

## Advisory Committees

**NYAC** — New York Area Firms Advisory Committee – Advises on the likely impact of important policy decisions on specialty firms, and presents its views on the problems and needs of these firms. Its members are principals of smaller, non-specialist member firms headquartered in the New York metropolitan area.

**PMAC** — Pension Managers Advisory Committee – Provides counsel on the concerns of pension managers and the impact of proposed rules and related matters on the interests of pension managers. Further, the committee enhances communications between pension managers and the NYSE.

**RAC** — Regulatory Advisory Committee – Advises on issues of regulation, self-regulation, and regulatory systems as they directly or indirectly affect the NYSE, the securities industry, and capital markets. In addition, the committee advises the board on the role of regulation in business and government. The committee also provides counsel to NYSE staff on the implications of regulatory trends and developments.

**RFAC** — Regional Firms Advisory Committee – Keeps the board informed of the policy needs, preferences and concerns of regionally based firms, as well as its views on the operation of the Exchange marketplace. Its members are principals of NYSE member firms headquartered outside metropolitan New York.

**UTAC** — Upstairs Traders Advisory Committee – Advises on policies and procedures designed to enhance the efficiency of NYSE markets from the perspective of member organizations' upstairs traders. It also guides the staff on ways to improve communication between the trading floor and upstairs trading desks. Its members are senior officers who daily transact large orders for individuals and institutions.

## Board Committees

**Allocation Committee** — (Not an Acronym) – Allocates stocks and options under board-granted authority. Members are selected from among the specialists, nonspecialist floor members, and allied members serving on the allocation panel.

**ARC** — Allocation Review Committee – Convened from time to time, the ARC reviews and makes recommendations to the Quality of Markets Committee with respect to the Exchange’s policies and procedures for the allocation of listing securities to specialist units.

**MPC** — Market Performance Committee – Focuses primarily on evaluating and seeking to strengthen the performance of NYSE specialist organizations, administering trading procedures, and recommending to the QOMC ways to improve NYSE markets’ quality and competitiveness. Members include specialists, nonspecialist floor members, allied members, and institutional traders.

**QOMC** — Quality of Markets Committee – Oversees and advises on the quality and competitiveness of the NYSE market, as well as on issues related to market structure. The QOMC, a standing board committee, is assisted by two operating committees and an ad hoc advisory committee. They include:

## NYSE Trading Systems

The NYSE’s long-standing and ongoing commitment to adapting state-of-the-art computer-based technology to support essential trading and market operations is evident in the wide range of automated systems, most of which are identified by acronyms.

**ABS** — Automated Bond System – Processes orders in all listed nonconvertible bonds and suggests matches for possible execution.

**BBSS** — Broker Booth Support System – An order management and routing system for brokers.

**BITS** — Broker ITS – Pre-opening indications service received on trading floor at broker terminals. Copies of Pre-opening Indications delivered through the Broker to Booth System in relevant issues.

**CMS** — Common Message Switch – Handles virtually all orders, and reports between member firms and NYSE and AMEX trading floors. CMS, designed and operated by SIAC, simplifies firms’ order-delivery report procedures, and eliminates equipment and communications line duplication.

**CNS** — Continuous Net Settlement – Clears securities transactions, with the total settlement payable and receivable for each security balanced daily. Excess payables and receivables are

adjusted to the market value of the underlying security by charges or credits to firms with unsettled transactions.

**CRR/HHT** — Card Reader Replacement/Hand Held Terminal – Wireless devices used to report trades and quotes to the market data system. Also used for supervisory functions relating to Trading Halt, Delay, Indication, etc.

**EMT** — Entitlement Management Tool – Basis of network security. Allows user access to specific services delivered through the Integrated Network.

**FDDI** — Fiber Digital Data Interface – Trading floor network connecting all trading floor terminals.

**FID** — Floor Information Devices – Displays consolidated close, NYSE last sale, quotes, net change, regional ITS Quotes, ex-dividend and Dow Jones news indicators.

**HHD** — Hand Held Device – Wireless device utilized by brokers, and Exchange trading floor personnel.

**IGS** — Information Generation System – Reads information lines, calculates best bid offer, index calculation, best price quotes (pricing for odd lots), and forms and sends information to trading floor overhead screen (FID).

## NYSE Trading Systems

**IIEDS** — Individual Investor Express Delivery Service – A Service for individual investors which put their orders to the head of any Tandem Systems Queue. (CMS, SuperDot & PSS)

**ITPN** — Integrate Technology Plan Network – High-speed secure environment to integrate services and functions supporting the trading floor.

**MDS** — Market Data System – Captures and displays, worldwide, trade and volume information continuously generated by trading floor activity. MDS is the core of the NYSE international communications network.

**OARS** — Opening Automated Report Service – Provides improved accuracy and efficiency for handling certain orders sent before trading opens. OARS receives, stores, and continuously tabulates market orders – up to a specified size – routed through the common message switch. It matches buy and sell interest in each stock, calculates imbalances, and reports them to specialists. Seconds after the specialist notifies OARS of an opening price, the system automatically generates and returns execution reports to originating firms, and submits the trade for automatic clearance and settlement.

**OCS** — On-Line Comparison System – Processes Real-time comparison on trade data to reduce exposure to errors.

**PSS** — Post Support System – Links a Local Area Network (LAN), allowing data to be transmitted to trading floor devices.

**SUPER DOT** — Super Designated Order Turnaround System – Transmits member firms' market and day limit orders, up to specified sizes in virtually all listed stocks, through the common message switch to the proper trading floor workstation. Specialists receiving orders through SuperDot execute them in the trading crowd at their posts, as quickly as market interest and activity permit, and return reports to the originating firm's offices via the same electronic circuit that brought them to the floor. Super Dot can handle daily volume exceeding 2 billion shares.

**WDS** — Wireless Data System – New technology for transmitting orders, reports, and administrative messages between brokers and clerks. Also used by CRR as path to ITPN.

## Market Systems

**National Market System (NMS)** — In the Securities Acts Amendments of 1975, Congress called for development of a National Market System to provide an effective and efficient nationwide trading environment for corporate securities. The component elements of a National Market System, developed and implemented over the years, are commonly identified by acronyms.

**CQS** — Consolidated Quotation System – Collects and disseminates, electronically, current bid and asked quotations, with volume, from and to all market centers trading listed stocks.

**CTRS – CTS** — Consolidated Transaction Reporting System or Consolidated Tape System – Receives and disseminates, electronically, listed stock last-sale prices in all markets in which they trade. CTS is under the operational guidance of the Consolidated Tape Association (CTA).

**ITS** — Intermarket Trading System – Links the NYSE and other national market centers in a communications and data-processing network. ITS, cooperatively developed by the system's competing markets, enables brokers and participating market-makers to reach electronically into any of the markets within seconds, whenever the Consolidated Quotation System indicates the possibility of better execution.

Other national and regional markets have developed automated order-processing systems identified by acronyms.

**AMOS** — American Stock Exchange Options Switching System

**BEACON** — Boston Exchange Automated Communications and Order Routing Network

**MAX** — Midwest Exchange Automated Execution System

**NASDAQ** — National Association of Securities Dealers Automated Quotations – over-the-counter market.

**NSTS** — National Security Trading System – Operated by the Cincinnati Stock Exchange

**PACE** — Philadelphia Automated Communications and Executions System

**PER** — Post Execution Reporting System – American Stock Exchange equities trading system.

**REAS** — Retail Execution Automation System – Chicago Board of Options Exchange.

**SCOREX** — Securities Communications Order Report and Execution System – Pacific Stock Exchange.

## NYSE Regulation & Surveillance

The increasing complexity of the financial services industry underscores the importance of the Exchange's self-regulatory role in helping to safeguard public customers' legitimate interests. Some acronyms are:

**AMPS** — Account Management Profile System – Provides access to information helpful to the NYSE staff in managing day-to-day relationships with listed companies, member firms, and institutions.

**ASAM** — Automated Search And Match – Researches and cross-references publicly available information on individuals, corporations, and service organizations possibly connected to a particular trading situation.

**Audit Trail** — (Not an Acronym) – Reconstructs trading by explicitly aligning all member firms involved in a specific trade.

**CRD** — Central Registration Depository – Provides information on securities sales representatives and supervisory personnel. This data base is compiled from application forms, Exchange developed examinations, reported enforcement actions, and related information. The NASD owns the CRD system and its facilities, operating them on behalf of the NYSE, state regulators, and other users.

**EMIP** — Exchange Market Information Program – Seeks to promote constituent confidence in and support for the NYSE trading mechanism, and to strengthen the mutuality of purpose between the NYSE and member firm listed company and institutional investor. Teams of NYSE staff members, floor brokers, and specialists present programs tailored to constituent audiences in cities nationwide.

**EDGAR** — Electronic Data Gathering, Analysis and Retrieval System – The Securities and Exchange Commission's system for the electronic submission by direct transmission, magnetic tape or diskette, of most filings and related correspondence.

**FOCUS** — Financial and Operational Combined Uniform Single Report – Gives the Exchange a complete, detailed picture of member firms' financial and operational conditions. Firms must file monthly summaries of their financial and operational data, and must respond quarterly to several hundred questions about financial and operational conditions and activities.

## NYSE Regulation & Surveillance

**FORCE** — Financial and Operational Reporting in a Computerized Environment – Consolidates all available member organization financial, operational, sales practice, and other regulatory information. The system gives the NYSE regulatory staff on-line viewing, editing, retrieval, and monitoring capabilities.

**ICASS** — Integrated Computer Assisted Surveillance System – Accesses data from many sources to provide on-line stock watch and follow-up case studies.

**IOSCO** — International Organization of Securities Commissioners – Encourages cooperative policies on market regulation, surveillance, and enforcement at the domestic and international levels in order to maintain just and efficient securities markets.

**ISCC** — International Securities Clearing Corporation

**ISG** — Intermarket Surveillance Group – Allows regulatory staffs of the national securities exchanges and the NASD to coordinate industry-

wide cooperative efforts for exchanging market data. Their goal is to enhance intermarket surveillance to assure the integrity of trading in options and equities, and to enhance public protection.

**ISIS** — Intermarket Surveillance Information System – Houses detailed and summarized equity and option transaction, quotation and clearance data from all the ISG participants, as well as the proprietary data of participants. An NYSE product, ISIS is currently used by the American, Boston, and Philadelphia stock exchanges. Providing surveillance personnel with easy on-line access to complete, accurate, and timely data makes surveillance tasks more efficient and effective.

**MSRB** — Municipal Securities Rule-making Board

**NASAA** — North American Securities Rule-making Board

**QT** — Questioned Trade – Indicates a trade in which, during the comparison process, one participant is discovered to be incorrectly identified.

## NYSE Regulation & Surveillance

**RCMM** — Registered Competitive Market Maker – Identifies NYSE floor members with a specific Exchange-imposed obligation to enhance the quality of NYSE markets by injecting their own or their firms’ capital into difficult market-making situations. At the request of an Exchange official, an RCMM must make a bid or offer that narrows an existing quote spread or improves its depth. An RCMM may also be asked to assist a commission broker or floor broker in executing a customer’s otherwise unexecutable order.

**RR** — Registered Representative (Also known as account executive, customers’ broker, or similar title) – Describes full-time NYSE member organization sales persons who have met the NYSE’s background and industry knowledge requirements.

**SPEQ** — Specialist Performance Evaluation Questionnaire – Surveys floor brokers quarterly to assess how well the specialists maintain the auction market; and how effectively they fulfill their dealer, agency, communication, and administrative functions.

**SRO** — Self-Regulatory Organization – Describes a national securities exchange, registered securities association or registered clearing agency authorized by the Securities Exchange Act of 1934 to regulate the conduct and activities of its members, subject to oversight by a specified government regulatory agency.