**INTERNATIONAL DICTIONARY
OF THE SECURITIES INDUSTRY**

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Stuart Valentine

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INTRODUCTION

It has long been one of my hobby-horses that the essential workings of a stock market are really quite simple. Yet new investors approaching the market for the first time are apt to be thoroughly put off by the apparent complexity of the language. That is a pity, because little can be more important for someone than to use his savings for his own and his family's security. Not understanding the world of investment and blindly trusting those who use the language as a smoke-screen, rather than as the means of communication it is supposed to be, can have unfortunate consequences: at best the saver will not use his savings to their best advantage, while at worst, he could be lured into highly speculative investments by the promise of rich rewards, without appreciating the risks involved.

The language can be off-putting: indeed, the whole investment scene can sound at times like a safari park, with its inhabitants of bulls, bears, stags, cats and tigers, a veritable thundering herd of wildlife. Yet all of these have their meanings in everyday language and all of them (including the thundering herd itself) will be found in the pages of this volume.

The object of compiling this book was not, of course, to solve all financial problems and make everyone rich. Anyone looking for such a book is advised to put down this volume right now and try another. Rather, its aim is to help both those approaching investment for the first time and also those already involved to thread their way through the jargon. Those involved will already know better than I the meanings of many of the words here. But the language of investment is growing week by week, and I hope that even the experienced investor and market man will find something new here.

The world of investment is also growing more international. Phrases starting in one market gradually (or these days not so gradually) pass into other markets' terminology. As the market in securities is becoming increasingly worldwide, an attempt has been made here to explain some of the words and the institutions of overseas markets, but I am conscious that many words common in those markets may have been left out.

The other problem is the rate of growth, amounting almost to an explosion, in the language of investment. Dozens of the words and phrases in this dictionary would not have been there a year ago. Frighteningly, a year from now there will be dozens more which today are still unheard of.

So, inevitably, not everything will be here, but I hope that it will meet the needs of those who, in their own or in overseas markets, are in need of clarification and enlightenment on the meaning of particular words and phrases. Where possible I have tried to include sources of further information, by way of bibliography, in the hope that those who find the definition given here inadequate for their needs will be guided to the more detailed information in those other sources.

I should say a word or two about layout and style. A strict alphabetical order has been adopted, ignoring the fact that individual words may be separated: thus 'capitalization' comes after 'capital gain' but before 'capital redemption yield'.

Cross references to both English and foreign words contained in the body of the text are printed in SMALL CAPITALS. For foreign terminology, where the word or phrase has a close English equivalent, I have referred readers to that English translation although, occasionally, the cross-referenced English equivalent will be accompanied by background information which refers to the specific situation in the United Kingdom or the United States. Where there is no such equivalent, an explanation of the phrase has, of course, been given.

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The words *bourse*, *Börse* and *Borsa* have been used in the appropriate national contexts, although I have sometimes used phrases such as ‘the French Stock Exchanges’ or ‘the Frankfurt Stock Exchange’ when to have used *bourse* or *Börse* would have sounded excessively pedantic.

The differences between English and American usage have sometimes caused difficulty. Though ‘company’ and ‘corporation’ may be used almost interchangeably, I have tried to be careful to distinguish between the English and American uses of the word ‘stock’: in the United Kingdom ‘stock’ is a fixed interest security; in the United States, ‘stock’ or ‘common stock’ is equity, the word for fixed interest security being ‘bond’. If it is any consolation to the layman, conversations between market practitioners of the two countries often have to be clarified on this score. In any discrepancy between English and American spelling the English version has been used except where the definition in which the word appears is wholly American. The style, *-ize* and *-ization* have been used at the publisher’s request, instead of *-ise* and *-isation*.

Where a word has (a) a common meaning; (b) a banking or other financial meaning; (c) a specific stock exchange meaning, I have tended to ignore the first of these, and have defined the second only when it has a relevance to a stock market, or is necessary to understand the particular use employed in a stock exchange context. Thus, for example, I have not defined the word ‘average’ in an insurance context, only its stock market meaning. In all cases, the specific stock exchange meaning has been defined.

Finally, I have used the word ‘he’ to refer to the third person singular throughout.

ACKNOWLEDGEMENTS

Anyone attempting to compile a dictionary which sets out to cover such a broad spectrum as international stock market terminology must, of necessity, rely on the active and enthusiastic assistance of others. In this case, that help has been so unstintingly given by so many people that to do them all full justice would fill far more pages than I am allotted for the purpose.

In particular, I would like to thank first and foremost Malcolm Duncan of the Milan Stock Exchange for the immense amount of help willingly given on Italian terminology. Also Bill Freund and Kenneth Fox of the New York Stock Exchange for the use of the NYSE glossary of terminology, as well as for considerable help given me in clarifying and supplementing my information on the complex American scene. In this context, my additional thanks are due to Merrill Stevenson of *The Economist* for invaluable help and advice.

On other overseas markets I have been greatly assisted by the help I have received from Bertrand Jacquillat and Bruno Montier of the Chambre Syndicale des Agents de Change in Paris; by Dr. Herbert Schlicht of the Frankfurt Stock Exchange, Robert Fell, Commissioner for Securities in Hong Kong, Ada Jeung of his office and Andrew Mason of the London office of Nomura Research.

I should like to thank Dr Paul Stonham for permission to use material from his book, *Major Stock Markets of Europe*, references to which appear in various bibliographies in the text. John Wiley, the New York publishers, also gave me permission to quote from their *International Finance Handbook*, edited by Abraham M. George and Ian H. Giddy, and again the debt I owe to that volume is reflected in many of the bibliographic notes. So too is the debt to Janette Rutterford's book, *An Introduction to Stock Exchange Investment*.

On the UK domestic scene, Juliette Proudlove of the London International Financial Futures Exchange provided me with valuable information on that market's terminology, while Tony Newman and A.E. Backholer, of the Society of Investment Analysts, kindly provided help on balance sheet terminology and on the sometimes complex vocabulary of the investment analyst. Among my colleagues at The Stock Exchange I would like to thank Sheila Nicoll for providing many valuable contacts and for help with translations, together with Alan King and Tracy Alexander of the Settlement Division, who helped guide me through some of the more obscure corners of that esoteric area.

To all of those mentioned, as well as many who gave pieces of advice too numerous to mention, I extend my most sincere thanks.

Their contribution is a major one, but I must not forget those who gave me encouragement, support and help in the actual production of the volume: Jeffrey Knight, Chief Executive of The Stock Exchange, who encouraged me to undertake the task; David Clutterbuck and John Hodgson of Macmillan Press who initiated the idea and helped me to carry it to fruition; John Webster, whose technical expertise helped speed up the production process; Nigel Storer, who helped check information and fill in some of the blanks. My thanks most of all go to Ann Hanson, who not only typed and re-typed the drafts, but who was also extremely valuable in making me turn highly obscure and unintelligible definitions into something approaching both clarity and the English language. Obscurities and errors which remain are entirely, of course, my own responsibility.

A final word of gratitude to my wife Jill, whose forbearance when the evenings and weekends of what was laughingly called my spare time were devoted to 'The Dictionary'. When I emerge from the study, I only hope she remembers who I am.

To all those who have given their help, I am aware I have built up a large debit balance of favours owed. I hope I shall have the opportunity to repay them.

List of Abbreviations

The following commonly-used abbreviations and acronyms appear in the main body of the text in the alphabetical order of the full reference. Where an abbreviation or acronym has itself been used as a headword, e.g. TALISMAN, it has not been repeated here.

AASE	: Association of Australian Stock Exchanges	CGT	: Capital Gains Tax
ABS	: Automated Bond System	CMA	: cash management account
ACT	: Advance Corporation Tax	COB	: Commission des Opérations de Bourse
ADR	: American Depositary Receipt	CONSOB	: Commissione Nazionale per la Società e la Borsa
AG	: Aktiengesellschaft	CSI	: Council for the Securities Industry
AHC	: Accepting Houses Committee	CTT	: Capital Transfer Tax
AIBD	: Association of International Bond Dealers		
AITC	: Association of Investment Trust Companies	DOTS	: Designated Order Turnaround System
AMEX	: American Stock Exchange	DTC	: Depository Trust Company
AMOS	: AMEX Options Switching System	DTI	: Department of Trade and Industry
ARP	: adjustable rate preferred stock		
ASAS	: American Shares Amsterdam System	ECI	: Equity Capital for Industry
ASL	: Admission of Securities to Listing	EDSP	: exchange delivery settlement price
		EFP	: exchange for physicals
BES	: Business Expansion Scheme	EMH	: Efficient Market Hypothesis
BET	: book entry transfer	EOE	: European Options Exchange
		EPIC	: Electronic Price Information Computer
CAC	: Compagnie des Agents de Change	EPS	: earnings per share
CAD	: cash against documents	ERISA	: Employee Retirement Income Security Act
CAES	: Computer Assisted Execution System	ESOP	: Employee Stock Ownership Plan
CAP	: convertible adjustable preferred stock		
CAPM	: Capital Asset Pricing Model	FCI	: Finance Corporation for Industry
CATS	: Computer Assisted Trading System (Canada)	FESE	: Far Eastern Stock Exchange
CATS	: certificate of accrual on Treasury securities (US)	FFI	: Finance for Industry
CBOE	: Chicago Board Options Exchange	FHLMA	: Federal Home Loan Mortgage Association
CD	: certificate of deposit	FIBV	: Fédération Internationale des Bourses de Valeurs
CFTC	: Commodity Futures Trading Corporation	FIFO	: first-in-first-out

FNMA	: Federal National Mortgage Association	MIB	: indice Borsa Valori di Milano
FOCUS	: Financial and Operational Combined Uniform Single Report	MIT	: market-if-touched
FTA	: Financial Times-Actuaries all share index	MLR	: Minimum Lending Rate
FTO	: Financial Times Ordinary share index	MPDS	: Market Price Display Service
FTSE	: Financial Times-Stock Exchange index	NASD	: National Association of Securities Dealers (US)
GmbH	: Gesellschaft mit beschränkter Haftung (see Gesellschaft)	NASDAQ	: National Association of Security Dealers Automated Quotations System
GNMA	: Government National Mortgage Association	NASDIM	: National Association of Securities Dealers and Investment Managers (UK)
HSI	: Hang Seng Index	NDJA	: Nikkei-Dow Jones Average
IBRD	: International Bank for Reconstruction and Development	NPV	: no par value (shares)
ICCH	: International Commodities Clearing House	NSCC	: National Securities Clearing Corporation
ICFC	: Industrial and Commercial Finance Corporation	NYFE	: New York Futures Exchange
ID	: International Dealer	NYSE	: New York Stock Exchange
IFC	: International Finance Corporation	OARS	: Opening Automated Report Service
IHA	: Issuing Houses Association	OFT	: Office of Fair Trading
III	: Investors In Industry	OMO	: open market operations
IMM	: International Monetary Market	OTC	: over-the-counter (markets)
IRA	: Individual Retirement Account	PE or PER	: price-earnings ratio
ITS	: Intermarket Trading System	PLC	: Public Limited Company
KAGG	: Gesetz über die Kapitalanlagegesellschaften	PSL (1 or 2)	: private sector liquidity
KNI	: Kam Ngan Index	R4	: Registered Representative Rapid Response System
LCM	: Limited Corporate Member	REIT	: real estate investment trust
LDMA	: London Discount Market Association	RPI	: retail price index
LIBOR	: London Inter-Bank Offered Rate	SA	: société anonyme
LIFFE	: London International Financial Futures Exchange	SAYE	: Save-As-You-Earn
LIFO	: last-in-first-out	SEC	: Securities and Exchange Commission
LSE	: London Stock Exchange	SEDOL	: Stock Exchange Daily Official List
		SEPON	: Stock Exchange Pool Nominees
		SESI	: Stock Exchange of Singapore Index
		SEOYB	: Stock Exchange Official Year Book
		SIA	: Securities Industry Association
		SIAC	: Securities Industry Automation Corporation

x Abbreviations

SICAV	: société d'investissement à capital variable	SWIFT	: Society for Worldwide Interbank Financial Telecommunications
SICOVAM	: Société Interprofessionnelle pour la Compensation des Valeurs Mobilières	TBT	: TALISMAN Bought Transfer
SIPA	: Securities Investors Protection Act	TOPIC	: Teletext Output of Price Information by Computer
SIPC	: Securities Investors Protection Corporation	TSE	: The Stock Exchange (UK) or Tokyo Stock Exchange (Japan)
SLMA	: Student Loan Marketing Association	TST	: TALISMAN Sold Transfer
S & P	: Standard & Poor's Corporation	UCM	: Unlimited Corporate Member
SRA	: self-regulatory agency	USM	: Unlisted Securities Market
STI	: Straits Times Index	UTA	: Unit Trust Association
		VAT	: Value Added Tax

World Stock Exchange Indices

<i>Country</i>	<i>Index</i>	<i>No. of Companies</i>	<i>Base date</i>	<i>Base Value</i>	<i>Frequency of Calculation</i>
Argentina	El Cronista Commercial-Banco Roberts	All (260 app.)	29 Dec 1977	100	daily
Australia	Australian Stock Exchange All Ordinaries Price Index (AOPI)	270 (app.)	31 Dec 1979	500	continuously
	Australian Stock Exchange All Industrial Price Index (AIPI)	80 (app.)	31 Dec 1979	500	continuously
	Australian Stock Exchange All Resources Price Index (ARPI)	190 (app.)	31 Dec 1979	500	continuously
Austria	Creditanstalt Bankverein (CA Index)	20	2 Jan 1962	100	daily
	Girozentrale und Bank der Osterreichischen Sparkassen AG (GZ-Index)	All	31 Dec 1966	100	daily
	Borsekammer (WBK Index)	43	31 Dec 1967	100	twice monthly
Belgium	Cash Market Index	All (197)	1 Jan 1980	100	daily
	Account Market Index: foreign companies All (63) Belgian companies All (33)		1 Jan 1985 1 Jan 1980	1000 1000	every two minutes during trading session
Brazil	The Profit Index (IBV)	34	16 Aug 1965	100	daily
Canada	Montreal Composite Index	85	1956	100	half-hourly
	Industrial Index	65	1956	100	half-hourly
	Toronto "300" composite stock price index	300	1975	1000	every 15 minutes
Denmark	Copenhagen Stock Exchange Index	38	1 Jan 1973	100	daily
France	CAC Index	268	31 Dec 1981	100	at opening
	CAC Trend Indicator	50	end of previous year	100	continuously
	INSEE daily	50	end of previous year	100	at close
	INSEE weekly	220	end 1981	100	at opening
	Agefi (cash and account market)	162	2 Jan 1962	100	at close
Germany	Commerzbank	60 "blue chip" companies	1 Dec 1953	100	daily
Hong Kong	Hang Seng Index	33	31 July 1964	100	
	Far East Index	52	1 Apr 1971	1000	
Israel	Total Yields indices for stocks and bonds (TY)	all	31 Dec 1981	100	daily
Italy	Milano Indice borsa (MIB) Current Index	176	2 Jan 1983	1000	daily
	Historical Index	129	2 Jan 1975	1000	daily

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<i>Country</i>	<i>Index</i>	<i>No. of Companies</i>	<i>Base date</i>	<i>Base Value</i>	<i>Frequency of Calculation</i>
Japan Osaka	Stock prices average (1st section)	220	4 Jan 1968	100	<div> <div>6 times on full business day</div> <div>3 times on half business day</div> </div>
	Stock prices average (2nd section)	80	4 Jan 1968	100	
Tokyo	Toyko Stock Exchange Stock prices indices (TSESPi)	all on 1st section	4 Jan 1968	100	1st and 2nd sections continuously
	Nikkei Dow Jones average	225 on 1st section	16 May 1949	100	
Korea	Korean Composite Stock price Index (KCSPI)	all	4 Jan 1980	100	half-hourly
Luxembourg	Luxembourg Shares Index	8	27 Dec 1967	100	daily at close
Malaysia	Kuala Lumpur Stock Exchange Index (KLSE)	30	1970	100	daily at close and during every recess
Netherlands	ANP-CBS Stock Market Index	53	1970	100	active 4 times daily less active twice daily
Norway	Oslo SE Composite	25	1 Jan 1972	100	daily at close
Singapore	Stock Exchange of Singapore (SES) Industrial & Commercial	32	31 Dec 1973	100	twice daily
	Straits Times industrial (ST)	30	30 Dec 1966	100	daily at close
	OCBC Indices	40	2 Jan 1970	100	daily at close
South Africa	Johannesburg Stock Exchange actuaries index (JSEA)	146	31 Dec 1959	100	continuously
	Rand Daily Mail Indices	100	1958	100	daily at close
Spain: Barcelona	The Barcelona Stock Exchange current and historical indices	89	1 Jan each year and 1 Jan 1963 for long base index	100	continuously
Madrid	Daily Index	69	31 Dec of previous year	100	daily at close
Sweden	JAPO Industrial Banks Investment	30 9 19	31 Dec 1956	100	daily at close
	Affarvarden	135	31 Dec 1979	100	daily at close
	Veckans Affarer	135	31 Dec 1972	100	weekly
Switzerland	Credit Suisse Index (CSI)	variable	31 Dec 1959	100	daily at close
	Societe Generale de Banque Suisse Index (SBSI)	variable	31 Dec 1958	100	daily at close
	Banque Nationale Suisse Index (BNSI)	variable	1966	100	weekly (Friday's prices)
United Kingdom	Financial Times-Actuaries all-share Index (FTA)	750 (app.)	10 Apr 1962	100	daily at 3.30
	Financial Times Industrial Ordinary shares Index (FTO)	30	1 Jul 1935	100	hourly

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<i>Country</i>	<i>Index</i>	<i>No. of Companies</i>	<i>Base date</i>	<i>Base Value</i>	<i>Frequency of Calculation</i>
	Financial Times-Stock Exchange (FT-SE) 1000 Index	100	30 Dec 1983	1000	continuously
USA	Amex market value index	all (860 app.)	1 Sep 1973	100	10:15, 10:30 then every half-hour
	Dow Jones Average (see text)				
	NYSE Composite	all (1560 app.)	31 Dec 1965	50	continuously
	Standard & Poor's	500	1941/3	10	continuously
	Standard & Poor's	400	1941/3	10	continuously
	Standard & Poor's	100	2 Jan 1976	100	continuously

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