

Glossary

Adjustable-Rate Mortgage	A mortgage that allows for the periodic adjustment of the interest rate on the basis of changes in a specified index or rate.
Agency Mortgage-Backed Security	A mortgage-backed security issued or guaranteed by federal agencies or government-sponsored enterprises.
Asset-Backed Commercial Paper (ABCP)	Short-term debt that has a fixed maturity of up to 270 days and is backed by some financial asset, such as trade receivables, consumer debt receivables, or auto and equipment loans or leases.
Asset-Backed Security (ABS)	A term debt instrument that is collateralized by specific financial assets, such as credit card receivables or auto loans, and that makes payments based on the performance of these assets.
Auction Rate Security (ARS)	A debt security, often issued by municipalities, in which the yield is reset regularly via a Dutch auction.
Bank for International Settlements (BIS)	An international financial organization that serves central banks in their pursuit of monetary and financial stability, helping foster international cooperation in those areas and acting as a bank for central banks.
Bank Holding Company (BHC)	Any company that has direct or indirect control of one or more banks and is regulated and supervised by the Federal Reserve in accordance with the Bank Holding Company Act of 1956.
Basel Committee on Banking Supervision (BCBS)	The Basel Committee on Banking Supervision (BCBS) develops and issues international standards on bank capital adequacy. In 1988, the BCBS introduced a capital measurement system commonly known as the Basel Capital Accord, or Basel I. In 2004, the BCBS issued a revised capital adequacy framework titled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework,” which is commonly referred to as the New Accord, or Basel II. Following the financial crisis, the BCBS developed new global standards for the banking system that are collectively referred to as Basel III.
Broad Dollar Index	A weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares.

Broker-Dealer (BD)	An entity that is engaged in the business of buying and selling securities for itself and others.
Central Counterparty	An entity that is interposed between the initial participants to a bilateral transaction and becomes the buyer to every seller and the seller to every buyer of a specified set of contracts or financial instruments.
Clearing Bank	A commercial bank that facilitates payment and settlement of financial transactions, such as check clearing or matching trades between the sellers and buyers of securities and other financial instruments and contracts.
Clearinghouse (Derivatives Clearing Organization or Clearing Agency)	An entity through which financial institutions agree to exchange payment instructions or other financial obligations (e.g., securities). The institutions settle for items exchanged at a designated time based on the rules and procedures of the clearinghouse. In some cases, the clearinghouse may assume significant counterparty, financial, or risk management responsibilities for the clearing system.
Clearing House Interbank Payments System (CHIPS)	An automated clearing system used primarily for international payments. This system is owned and operated by The Clearing House and engages Fedwire Funds Service for settlement.
Collateralized Mortgage Obligation (CMO)	A type of mortgage-backed security. CMOs are bonds that represent claims to specific cash flows from large pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests, known as tranches, according to a complicated deal structure. Each tranche may have different principal balances, coupon rates, prepayment risks, and maturity dates (ranging from a few months to 30 years).
Commercial Bank	A chartered and regulated financial institution authorized to take deposits from the public, obtain deposit insurance from the FDIC, and engage in certain lending activities.
Commercial Mortgage Backed Security (CMBS)	A security that is collateralized by a pool of commercial mortgage loans and that makes payments that are based on the performance of those loans.
Commercial Paper (CP)	Short-term (maturity typically up to 270 days), unsecured corporate debt.

Committee on the Global Financial System	Monitors developments in global financial markets for central bank governors. The Committee on the Global Financial System has a mandate to identify and assess potential sources of stress in global financial markets, to further the understanding of the structural underpinnings of financial markets, and to promote improvements to the functioning and stability of these markets. The Committee on the Global Financial System also oversees the collection of the BIS international banking and financial statistics..
Committee on Payment and Settlement Systems (CPSS)	A committee of central banks hosted by the BIS that sets standards for payment and securities settlement systems.
Core Deposits	Deposits that are stable, lower cost, and reprice more slowly than other deposits when interest rates change. Core deposits are typically funds of local customers who also have a borrowing or other relationship with the bank.
Credit Default Swap (CDS)	A bilateral over-the-counter contract in which one party agrees to make a payment to the other party in the event of a specified credit event, in exchange for one or more fixed payments.
Credit Rating Agency	A private company that evaluates the credit quality of debt issuers, as well as their issued securities, and provides ratings on the issuers and those securities. Many credit rating agencies are nationally recognized statistical rating organizations, the largest of which are Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
Credit Union	A member-owned, not-for-profit cooperative financial institution formed to permit members to save, borrow, and obtain related financial services. All federally chartered credit unions and most state-chartered credit unions provide federally insured deposits and are regulated by the NCUA.
Dark Pool	A trading network that matches the orders of multiple buyers and sellers for a financial instrument without displaying quotations to the public.
Debt Valuation Adjustment (DVA)	A decrease in the mark-to-market value of a bank holding company's liability that is booked as a profit.
Defined Benefit Plan	A retirement plan that uses a predetermined formula to calculate the amount of a participant's future benefit.
Defined Contribution Plan	A retirement plan in which the amount of the employer's annual contribution is specified.

Depository Institution	A financial institution that is legally permitted to accept deposits from individuals. Depository institutions include savings banks, commercial banks, savings and loan associations, and credit unions.
Discount Window	The Federal Reserve facility for extending credit directly to eligible institutions.
Farm Credit System	A government-sponsored enterprise created by Congress and composed of a network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers. The Farm Credit System is the largest agricultural lender in the United States and is regulated by the Farm Credit Administration.
Federal Financial Institutions Examination Council (FFIEC)	An interagency body that prescribes uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve, the FDIC, the NCUA, the OCC, and the CFPB. The FFIEC makes recommendations to promote uniformity in the supervision of financial institutions. The State Liaison Committee (SLC) serves as a voting member. The SLC includes representatives from the Conference of State Bank Supervisors, the American Council of State Savings Supervisors, and the National Association of State Credit Union Supervisors.
Fedwire Funds Service	A real-time gross settlement system owned and operated by the Federal Reserve Banks that offers participants the ability to send and receive time-critical payments for their own account or on behalf of their clients.
Fedwire Securities Service	A book-entry securities transfer system operated by the Federal Reserve Banks that provides participants safekeeping, transfer, and delivery-versus-payment settlement services.
FICO Score	A measure of a borrower's creditworthiness based on the borrower's credit data; developed by the Fair Isaac Corporation.
Financial Market Infrastructure	A multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions. Financial market infrastructures exist in many financial markets to support and facilitate the transferring, clearing, or settlement of financial transactions.

Financial Market Utility (FMU)	Subject to certain exclusions, the Dodd-Frank Act defines an FMU as “any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person.”
Fiscal Consolidation	Government policy aimed at reducing government deficits and the pace of debt accumulation.
Fiscal Year	Any 12-month accounting period. The fiscal year for the federal government begins on October 1 and ends on September 30 of the following year; it is named after the calendar year in which it ends.
Futures Commission Merchants (FCM)	Individuals, associations, partnerships, corporations, and trusts that solicit or accept orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any exchange and that accept payment from or extend credit to those whose orders are accepted.
General Obligation Bond	A type of municipal bond backed by the full faith and credit of the governmental unit that issues the bond.
Government-Sponsored Enterprise (GSE)	A corporate entity that has a federal charter authorized by law but that is a privately owned financial institution.
Gross Domestic Product (GDP)	The broadest measure of aggregate economic activity, measuring the total value of all final goods and services produced within a country’s borders during a specific period.
The Group of Twenty Finance Ministers and Central Bank Governors (G-20)	An international forum established in 1999 to bring together officials of systemically important industrialized and developing economies to discuss key issues in the global economy.
Household Debt Service Ratio	An estimate of the ratio of debt payments to disposable personal income. Debt payments consist of the estimated required payments on outstanding mortgage and consumer debt.
Interest Rate Risk Management	Management of the exposure of an individual’s or an institution’s financial condition to movements in interest rates.
International Association of Insurance Supervisors (IAIS)	International organization that represents insurance regulators and supervisors in 190 jurisdictions worldwide. The IAIS issues global insurance principles, standards and guidance papers to promote effective insurance supervision.

International Organization of Securities Commissions (IOSCO)	An international organization of securities market regulatory agencies that sets standards for securities markets.
International Swaps and Derivatives Association (ISDA)	A trade association of over-the-counter derivatives participants. The ISDA Master Agreements standardized derivative terms to simplify netting and reduce legal risks for market participants.
Investment-Grade Bond	A bond whose rating is among the highest in creditworthiness as measured by credit rating agencies.
Large Bank Holding Company	Any bank holding company (BHC) that files the FR Y-9C. All BHCs with total consolidated assets of \$500 million or more are required to file. Before March 2006, the threshold was \$150 million. BHCs meeting certain additional criteria determined by the Federal Reserve may be required to file regardless of size.
Leveraged Buyout	An acquisition of a company in which the buyer uses borrowed funds for a significant portion of the purchase price.
Loan-to-Value Ratio (LTV)	The ratio of the amount of a loan to the value of an asset, typically expressed as a percentage. This is a key metric when considering the financing of a mortgage.
Marketable Debt	Obligations that can be bought and sold on public secondary markets.
Mark-to-Market	The process by which the reported value of an asset is adjusted to reflect its market value.
Maturity Transformation	A condition in which a financial intermediary issues shorter-term liabilities to fund longer-term assets.
Model Risk	Risk related to using an incorrect model specification. For example, misspecification can result from programming errors, technical errors, data issues, or calibration errors.
Money Market Fund (MMF)	A type of mutual fund that is required by law to invest in low-risk securities and pays dividends that generally reflect short-term interest rates. MMFs typically invest in government securities, certificates of deposit, commercial paper, or other highly liquid and low-risk securities.
Mortgage-Backed Security (MBS)	An asset-backed security backed by a pool of mortgages. Investors in the security receive payments derived from the interest and principal payments on the underlying mortgages.

Mortgage Servicer	A company that acts as an agent for mortgage holders by collecting and distributing mortgage cash flows. Servicers also handle defaults, modifications, settlements, and foreclosure proceedings.
Municipal Bond	A bond issued by states, cities, counties, local governmental agencies, or certain instrumentalities of the state.
Mutual Fund	A type of investment company that issues redeemable securities, which the fund generally stands ready to buy back from investors at their current net asset value. Also called an open-end investment company or open-end fund.
Nationally Recognized Statistical Rating Organization	A credit rating agency that is registered with the SEC as a nationally recognized statistical rating organization.
Over-the-Counter (OTC)	A method of trading that does not involve an organized exchange. In over-the-counter markets, participants trade directly with each other, typically through voice or computer communication.
Payday Lenders	Lenders that make small, short-term loans to households, with the loan repayment due in full on the borrower's pay day.
Personal Consumption Expenditures (PCE)	A measurement of the goods and services purchased by households.
Personal Savings Rate	Personal savings as a percentage of disposable personal income.
Prudential Regulation	Regulation aimed at ensuring the safe and sound operation of financial institutions, set by both state and federal authorities.
Public Company Accounting Oversight Board (PCAOB)	A nonprofit corporation established by Congress that oversees the audits of public companies to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. PCAOB also oversees the audits of broker-dealers.
Public Debt	Cumulative amounts borrowed by the Treasury Department or the Federal Financing Bank from the public or from another fund or account. The public debt does not include agency debt (amounts borrowed by other agencies of the federal government).
Q4/Q4	Fourth quarter over fourth quarter. A way of computing the rate of growth of a statistic over a calendar year by comparing the statistic's value in the fourth quarter of the year with its value in the fourth quarter of the previous year.

Ratings Uplift	The difference between the stand-alone credit rating assigned by a credit rating agency to an issuer, based on that issuer's intrinsic financial strength, and the higher credit rating that considers the possibility of implicit external (e.g., government) support.
Receiver	A custodian appointed to maximize the value of the assets of a failed institution or company and to settle the liabilities.
Repurchase Agreement (Repo)	A transaction in which one party sells a security to another party while agreeing to repurchase it from the counterparty at some date in the future at an agreed price.
Reserves	Funds that a depository institution holds against specified deposit liabilities.
Residential Mortgage-Backed Security (RMBS)	A security that is collateralized by a pool of noncommercial, residential mortgage loans and makes payments that are based primarily on the performance of those loans.
Revenue Bond	A type of municipal bond backed by revenue from the project the bond finances.
Revolving Credit	A lending arrangement whereby a lender commits to provide a certain amount of funding to a borrower on demand. The borrower may generally borrow and repay the committed funding at any time over the term of the agreement.
Risk-Based Capital	An amount of capital, based on the risk-weighting of various asset categories, that a financial institution should hold to protect against adverse developments.
Securities Lending	The temporary transfer of securities from one party to another for a specified fee and term in exchange for collateral in the form of cash or securities.
Securitization	A financial transaction in which assets such as mortgage loans are pooled, and securities representing interests in the pool are issued.
Self-Regulatory Organization (SRO)	An organization that has the authority to regulate its members by establishing and enforcing rules and standards regarding its members' conduct.
Short-Term Wholesale Funding	Large-value, short-term funding instruments, exceeding deposit insurance limits, that are typically issued to institutional investors. Examples include large checkable and time deposits, financial open market paper, and repurchase agreements.

Supervisory Capital Assessment Program (SCAP)	A stress test, conducted from February to May 2009, designed to estimate the capital needs of U.S. bank holding companies with assets exceeding \$100 billion under an adverse macroeconomic scenario; it was administered by the Federal Reserve, OCC, and FDIC.
Supervisory Information	Generally refers to reports of examination and inspection, operating and condition reports, and any information derived from, relating to, or contained in them, and information gathered by agencies responsible for supervising financial institutions in connection with any investigation or enforcement action.
Temporary Liquidity Guarantee Program (TLGP)	A program implemented in October 2008 by the FDIC through a systemic risk determination to provide liquidity to the banking industry by restoring banks' access to funding markets and by stabilizing bank deposits. The program had two components: the Debt Guarantee Program and the Transaction Account Guarantee (TAG) Program.
Term Asset-Backed Securities Loan Facility (TALF)	A Federal Reserve funding facility that issued loans with terms of up to five years to holders of eligible asset-backed securities (ABS). TALF was intended to assist the financial markets in accommodating the credit needs of consumers and businesses by facilitating the issuance of ABS collateralized by a variety of consumer and business loans. TALF was also intended to improve the market conditions for ABS more generally. The program began operating in 2009.
Thrift	A financial institution that ordinarily possesses the same depository, credit, financial intermediary, and account transactional functions as a bank but that is chiefly organized and primarily operates to promote savings and home mortgage lending rather than commercial lending. Also known as a savings bank, a savings association, or a savings and loan association.
Time Deposits	Deposits that the depositor, generally, does not have the right to withdraw funds before a designated maturity date without paying an early withdrawal penalty. A certificate of deposit is a time deposit.
Tri-Party Repo	A repurchase agreement in which a third-party agent, such as a clearing bank, acts as an intermediary to facilitate the exchange of cash and collateral between the two counterparties. In addition to providing operational services to participants, the tri-party agents in the U.S. tri-party repo market extend large amounts of intraday credit to facilitate the daily settlement of tri-party repos.

Troubled Asset Relief Program (TARP)	A government program to address the financial crisis, authorized by the Emergency Economic Stabilization Act of 2008, allowing the government to purchase or insure up to \$700 billion in assets and equity from financial institutions.
Underwriting Standards	Terms, conditions, and criteria used to determine the extension of credit in the form of a loan or bond.
Yield Curve	A curve mapping the relationship between bond yields and their respective maturities.