ECONOMICS GLOSSARY

[A]

absolute advantage : *A country has an absolute advantage if its output per unit of input of all goods and services produced is higher than that of another country*

academic consultants : *An advisory group initiated by the Board in the 1960's to provide a forum for the exchange of views between the Federal Reserve Board and members of the academic community in economics and banking.*

accretion of discount : *A straight-line accumulation of capital gains on discount bonds in anticipation of being paid par at maturity.*

accrual method of accounting : *See cash method of accounting.*

aggregate : *Any total (e.g., the gross national product; the sum of monthly sales).*

agreement corporation *: Corporation chartered by a state to engage in international banking; so named because the corporation enters into an 'agreement' with the Board of Governors to limit its activities to those permitted an Edge Act corporation.*

amortization : *The process of fully paying off indebtedness by installments of principal and earned interest over a definite time.*

annual percentage rate - APR : *The cost of credit on a yearly basis expressed as a percentage.*

appraisal fee : *The charge for estimating the value of property offered as security.*

appreciation : *See currency appreciation.*

Auction: *A method of determining price and interest.*

automated clearinghouse - ACH: *Electronic clearing and settlement system for exchanging electronic transactions among participating depository institutions; such electronic transactions are substitutes for paper checks and are typically used to make recurring payments such as payroll or loan payments. The Federal Reserve Banks operate an automated clearinghouse, as do some private-sector firms.*

automated teller machines - ATM: *Computer-controlled terminals located on the premises of financial institutions or elsewhere, through which customers may make deposits, withdrawals, or other transactions as they would through a bank teller. Other terms sometimes used to describe such terminals are customer-bank communications terminal (CBC) and remote service unit (RSU). Groups of banks sometimes share ATM networks located throughout a region of the country that may include portions of several states.*

automatic transfer service account - ATS: *A depositor's savings account from which funds may be transferred automatically to the same depositor's checking account to cover a check written or to maintain a minimum balance.*

[B]

balance of payments : *An accounting statement of the money value of international transactions between one nation and the rest of the world over a specific time period. The statement shows the sum of transactions of individuals, businesses, and government agencies located in one nation, against those of all other nations.*

balance of trade: *That part of a nation's balance of payments dealing with imports and exports, that is trade in goods and services, over a given period. If exports of goods exceed imports, the trade balance is said to be 'favorable'; if imports exceed exports, the trade balance if said to be 'unfavorable.'*

balloon payment: *A large extra payment that may be charged at the end of a loan or lease.*

Bank for International Settlements - BIS: *The BIS, located in Basle, Switzerland, was established in 1930 to administer the post-World War I reparations agreements. Since the 1960s, the BIS has evolved into an important international monetary institution, and has provided a forum in which central bankers meet and* *consult on a monthly basis. As an independent financial organization, the BIS performs a variety of banking, trustee, and agent functions, primarily with central banks.*

bank holding company - BHC: *Company that owns, or has controlling interest in, one or more banks. A company that owns more than one bank is known as a multibank holding company. A bank holding company may also own another bank holding company, which in turn owns or controls a bank; the company at the of the ownership chain is called the holder. The Board of Governors is responsible for regulating and supervising bank holding companies, even if the bank owned by the holding company is under the primary supervision of a different federal agency (the Comptroller of the Currency or the Federal Deposit Insurance Corporation).*

bank note : *A term used synonymously with paper money or currency issued by a bank. Notes are, in effect, a promise to pay the bearer on demand the amount stated on the face of the note. Today, only the Federal Reserve Banks are authorized to issue bank notes, i.e. Federal Reserve notes, in the United States.*

bank regulation: *The formulation and issuance by authorized agencies of specific rules or regulations, under governing law, for the conduct and structure of banking.*

bank run - bank panic: *A series of unexpected cash withdrawals caused by a sudden decline in depositor confidence or fear that the bank will be closed by the chartering agency, i.e. many depositors withdraw cash almost simultaneously. Since the cash reserve a bank keeps on hand is only a small fraction of its deposits, a large number of withdrawals in a short period of time can deplete available cash and force the bank to close and possibly go out of business.*

bank supervision: *Oversight of individual banks to ensure that they are operated prudently and in accordance with applicable statutes and regulations.*

bankers acceptance: *Bankers acceptances are negotiable time drafts, or bills of exchange, that have been accepted by a bank that, by accepting, assumes the obligation to pay the holder of the draft the face amount of the instrument on the maturity date specified. They are used primarily to finance the export, import, shipment, or storage of goods.*

Bankwire: *An electronic communications network owned by an association of banks and used to transfer messages between subscribing banks. Bankwire also offers a clearing service called Cashwire that includes a settlement facility.*

Bilateralism: *An international policy having as its objective the achievement of particular balances of trade between two nations by means of discriminatory tariffs, exchange, or other controls. The initiative is usually taken by the country having an 'unfavorable' balance of trade. Extensive bilateralism results in a shift of international trade away from channels that would result from the principle of comparative advantage. See also multilateralism.*

bill : *A short-term direct obligation of the U.S. Treasury (13, 26, or 52 weeks' maturity). See also note and bond.*

Board of Governors: *Central governmental agency of the Federal Reserve System, located in Washington, DC, and composed of seven members who are appointed by the President and confirmed by the Senate. The Board is responsible for domestic and international economic analysis with other components of the System; for the conduct of monetary policy; for supervision and regulation of certain banking organizations; for operation of much of the nation's payments system; and for administration of most of the nation's laws that protect consumers in credit transactions.*

Bond: *A long-term obligation of the U.S. Treasury (more than 10 years' maturity). See also bill and note.*

book-entry securities: *Securities that are recorded in electronic records, called book entries, rather than as paper certificates. Ownership of U.S. government book-entry securities is transferred over Fedwire.*

broker-dealer: *Any person, other than a bank, engaged in the business of buying or selling securities on her or his own behalf for others.*

broker's loans: *Money borrowed by brokers from banks for uses such as financing specialists' inventories of stock, the underwriting of new issues of corporate and municipal securities, and customer margin accounts.*

Bundesbank: *Established in 1875, the central bank of West Germany, located in Frankfurt.*

Bureau of Labor Statistics - BLS: *A research agency of the U.S. Department of Labor; it compiles statistics on hours of work, average hourly earnings, employment and unemployment, consumer prices, and many other variables.*

buydown : *A lump sum payment made to the creditor by the borrower or by a third party to reduce the amount of some or all of the consumer's periodic payments to repay the indebtness.*

[C]

California Economic Development Lending Initiative - CEDLI: *This is a statewide community development corporation that provides financing to serve a range of community economics development needs, including small businesses, non-profit lenders, and community real estate projects.*

capacity utilization rate: *The percentage of the economy's total plant and equipment that is currently in production. Usually a decrease in this percentage signals an economic slowdown, while an increase signals economic expansion.*

capital market: *The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded.*

capital market rates: *See long-term interest rates.*

Cash Management Bills - CMB: *Very short maturity bills that the Treasury sells on an irregular basis to bridge low points in the Treasury's cash balance.*

cash method of accounting: *A system, used especially in computing income tax, in which income is not credited until it is actually or constructively received and expenses are not charged until they have been paid; to be distinguished from the accrual method, in which income is credited when the legal right to the income occurs and expenses are charged when the legal liability becomes enforceable.*

cease-and-desist order: *An order issued after notice and opportunity for hearing, requiring a depository institution, a holding company, or a depository institution official to terminate unlawful, unsafe, or unsound banking practices. Cease-and-desist orders are issued by the appropriate federal regulatory agencies under the Financial Institutions Supervisory Act and can be enforced directly by the courts.*

central bank: *The principal monetary authority of a nation, a central bank performs several key functions, including issuing currency and regulating the supply of credit in the economy. The Federal Reserve is the central bank of the United States.*

central bank intervention: *The buying or selling of currency, foreign or domestic, by central banks, in order to influence market conditions or exchange rate movements.*

certificate of deposit - CD: *A form of time deposit at a bank or savings institution which cannot be withdrawn before a specified maturity date without being subject to an interest penalty for early withdrawal. Small-denomination CDs are often purchased by individuals. Large CDs of $100,000 or more are often in negotiable form, meaning they can be sold or transferred among holders before maturity.*

check clearing: *The movement of checks from the banks or other depository institutions where they are deposited back to those on which they are written, and funds movement in the opposite direction. This process results in credits to accounts at the institutions of deposit and corresponding debits to accounts at the paying institutions. The Federal Reserve participates in check clearing through its nationwide facilities, though many checks are cleared by private sector arrangement.*

clearinghouse: *An institution where mutual claims are settled between accounts of member depository institutions. Clearinghouses among banks have traditionally been organized for check-clearing purposes, but more recently have cleared other types of settlements, including electronic fund transfers.*

Clearinghouse Interbank Payments System - CHIPS: *An automated clearing system used primarily for international payments. This system is owned and operated by the New York Clearinghouse banks and engages Fedwire for settlement.*

closed-end credit: *An agreement in which advanced credit, plus any finance charges, are expected to be repaid in full over a definite time. Most real estate and automobile loans are closed-end agreements.*

Collateral: *Property that is offered to secure a loan or other credit and that becomes subject to seizure on default. (Also called security.)*

commercial bank: *Bank that offers a broad range of deposit accounts, including checking, savings, and time deposits, and extends loans to individuals and businesses. Commercial banks can be contrasted with investment banking firms, such as brokerage firms, which generally are involved in arranging for the sale of corporate or municipal securities.*

commodity prices: *An index of commodities (such as oil and steel) traded in worldwide markets.*

Community Reinvestment Act - CRA: *Enacted by Congress in 1977, the CRA encourages banks to help meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes, while maintaining safe and sound operations.*

Community Reinvestment Act Statement: *A description available for public inspection at each bank office indicating, on a map, the communities served by that office and the types of credit the bank is prepared to extend within the communities served.*

competitive bidders: *One of two categories of bidders on Treasury securities: competitive and noncompetitive. Competitive bidders are usually financial institutions.*

Comptroller of the Currency: *See Office of the Comptroller of the Currency.*

Consortium: *A grouping of corporations to fulfill a combined objective or project that usually requires interbusiness cooperation and sharing of the goods.*

Consumer Advisory Council - CAC: *A statutory body established by Congress in 1976. The Council, with 30 members who represent a broad range of consumer and creditor interests, advises the Federal Reserve Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Federal Reserve Board seeks its advice.*

consumer price index - CPI: *A measurement of the cost of living determined by the Bureau of Labor Statistics.*

contractionary fiscal policy: *A policy to increase governmental spending and/or a reduction in taxes. See also fiscal policy.*

contractionary monetary policy: *A policy to restrict the growth of money and credit in the economy. See also monetary policy.*

contemporaneous reserve accounting: *An accounting method that allows member banks of the Federal Reserve a one-day lag when calculating their required reserves and reserves held as vault cash. Except for the one-day lag, assets and liabilities used in calculating reserves and required reserves are those of the same week.*

correspondent bank: *A bank that accepts deposits of and performs banking services for other depository institutions.*

Cosigner: *A term referring to a person, other than the principle borrower, who signs for a loan. The cosigner(s) assumes equal liability for the loan.*

Credit: *The promise to pay in the future in order to buy or borrow in the present. The right to defer payment of debt.*

credit card: *Any card, plate, or coupon book that may be used repeatedly to borrow money or buy goods and services on credit.*

credit scoring system: *A statistical system used to determine whether or not to grant credit by assigning numerical scores to various characteristics related to creditworthiness.*

credit union: *Financial cooperative organization of individuals who have a common bond, such as a place of employment, residence, or membership in a labor union. Credit unions accept deposits from members, pay interest (in the form of dividends) on the deposits out of earnings, and use their funds mainly to provide consumer installment loans to members.*

credit history: *A record of how a person has borrowed and repaid debt.*

Creditworthiness: *A creditor's measure of a consumer's past and future ability and willingness to repay debts.*

currency appreciation: *An increase in the value of one currency relative to another currency. Appreciation occurs when, because of a change in exchange rates, a unit of one currency buys more units of another currency.*

currency depreciation: *A decline in the value of one currency relative to another currency. Depreciation occurs when, because of a change in exchange rates, a unit of one currency buys fewer units of another currency.*

currency devaluation: *A deliberate downward adjustment in the official exchange rate established, or pegged, by a government against a specified standard, such as another currency or gold.*

currency revaluation: *A deliberate upward adjustment in the official exchange rate established, or pegged, by a government against a specified standard, such as another currency or gold.*

current account balance: *The difference between the nation's total exports of goods, services, and transfers and its total imports of them. Current account balance calculations exclude transactions in financial assets and liabilities.*

cyclical unemployment: *Unemployment caused by a low level of aggregate demand associated with recession in the business cycle.*

[D]

data limitations : *In stabilization policy, refers to two scenarios: 1) quantitative factual information or data that is only available after the event (e.g., unemployment figures for last month); 2) the raw information that is adjusted for seasonal variations or changes in prices; therefore, data may not accurately measure the activity.*

day trade: *Also known as a 'daylight trade.' The purchase and sale or the short sale and cover of the same security in a margin account on the same day.*

debit card: *A card that resembles a credit card but which debits a transaction account (checking account) with the transfers occurring contemporaneously with the customer's purchases. A debit card may be machine readable, allowing for the activation of an automated teller machine or other automated payments equipment.*

Default: *Failure to meet the terms of a credit agreement.*

Deficit: *The amount each year by which government spending is greater than government income.*

demand deposit: *A deposit that may be withdrawn at any time without prior written notice to the depository institution. A checking account is the most common form of demand deposit.*

deposit ceiling rates of interest: *Maximum interest rates that can be paid on savings and time deposits at federally insured commercial banks, mutual savings banks, savings and loan associations, and credit unions. Ceilings on credit union deposits are established by the Depository Institutions Deregulation Committee (DIDC). By law, deposit interest rate ceilings were phased out over a six-year period, ending in 1986 under the oversight of the DIDC.*

depository institution: *A financial institution that obtains its funds mainly through deposits from the public. This includes commercial banks, savings and loan associations, savings banks, and credit unions. Although historically they have specialized in certain types of credit, the powers of nonbank depository institutions have been broadened in recent years. For example, NOW accounts, credit union share drafts, and other services similar to checking accounts may be offered by thrift institutions.*

Depository Institutions Deregulation Committee - DIDC: *The Committee responsible for the orderly phase-out over a six-year period of interest rate ceilings on time and savings accounts at depository institutions. Voting members of the DIDC are the Secretary of the Treasury and the chairmen of the Federal Reserve Board, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, and National Credit Union Administration Board. The Comptroller of the Currency serves as a non-voting member.*

Depreciation: *See currency depreciation.*

direct deposit: *A method of payment which electronically credits your checking or savings account.*

dirty float: *A type of floating exchange rate that is not completely freely floating because central banks intervene from time to time to alter the rate from its free-market level. It is still a floating rate because it has not been pegged at a predetermined par value.*

discount payment: *The difference between the face value and the price paid for a security.*

discount rate: *Interest rate at which an eligible depository institution may borrow funds, typically for a short period, directly from a Federal Reserve Bank. The law requires that the board of directors of each Reserve Bank establish the discount rate every fourteen days subject to the approval of the Board of Governors.*

discount window: *Figurative expression referring to the Federal Reserve's facility for extending credit directly to eligible depository institutions (those with transaction accounts or nonpersonal time deposits).*

durable merchandise: *Goods that have a relatively lengthy life (television sets, radios, etc.).*

[E]

economic growth: *An increase in the nation's capacity to produce goods and services.*

economic shocks: *Events that impact the economy, come from outside it, and are unexpected and unpredictable (e.g., Hurricane Andrew in 1991, the rise in oil prices by OPEC).*

Edge Act corporation: *Corporation chartered by the Federal Reserve to engage in international banking. The Board of Governors acts on applications to establish Edge Act corporations and also examines the corporations and their subsidiaries. Named after Senator Walter Edge of New Jersey, who sponsored the original legislation to permit formation of such organizations. See also agreement corporation.*

electronic funds transfer - EFT: *Transfer of funds electronically rather than by check or cash. The Federal Reserve's Fedwire and automated clearinghouse services are EFT systems.*

Electronic Fund Transfer Systems - EFTS: *A variety of systems and technologies for transferring funds (money) electronically rather than by check. This includes Fedwire, automated clearinghouses (ACHs), and other automated systems.*

employment rate: *The percentage of the labor force that is employed. The employment rate is one of the economic indicators that economists examine to help understand the state of the economy. See also unemployment rate.*

equilibrium real interest rate: *The rate that would be consistent with the full employment of labor and industrial capacity, and with real GDP being at its long-run potential level. This rate is needed as a benchmark to judge whether a given real interest rate is expansionary or contractionary.*

Eurodollars: *Deposits denominated in U.S. dollars at banks and other financial institutions outside the United States. Although this name originated because of the large amounts of such deposits held at banks in Western Europe, similar deposits in other parts of the world are also called Eurodollars.*

excess reserves: *Amount of reserves held by an institution in excess of its reserve requirement and required clearing balance. Also see reserves.:*

exchange rate: *The price of a country's currency in terms of another country's currency.*

Executive Committee: *A decision-making body of the FRBSF comprised of a number of the Bank's senior officers, the Committee and its six satellite committees were established in 1995 to replace the smaller, more centralized Management Committee. The revised committee structure was intended to decentralize decision-making and promote increased information-sharing and teambuilding Districtwide.*

exempted security: *A security that is exempted from most provisions of the securities laws, including the margin rules. Such securities include U.S. government and agency securities and municipal securities designated by the SEC.*

expansionary fiscal policy: *A policy to decrease governmental expenditures and/or to increase taxes. See also fiscal policy.*

expansionary monetary policy: *A policy of the Federal Reserve System that is designed to expand the growth of money and credit in the economy. See also monetary policy.*

expected rate of inflation: *The public's expectations for inflation. These expectations determine how large an effect a given policy action by the Fed will have on economic activity.*

[F]

Federal Advisory Council - FAC: *An advisory group consisting of one member, usually a banker, from each Federal Reserve District. Members are elected annually by the Reserve Bank boards of directors. Members meet with the Federal Reserve Board at least four times a year to make recommendations on business and financial issues relating to banking, but have no real power.*

Federal Deposit Insurance Corporation - FDIC: *An independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. The FDIC promotes safety and soundness of insured depository institutions and the U.S. financial system by identifying, monitoring, and addressing risks to the deposit insurance funds; minimizes disruptive effects from the failure of banks and savings associations; and ensures fairness in the sale of financial products and provision of financial services.*

federal funds: *Short-term transactions in immediately available funds between depository institutions and certain other institutions that maintain accounts with the Federal Reserve; usually not collateralized.*

federal funds rate (funds rate): *The interest rate at which banks borrow surplus reserves and other immediately available funds. The federal funds rate is the shortest short-term interest rate, with maturities on federal funds concentrated in overnight or one-day transactions.*

Federal Home Loan Bank Board - FHLBB: *The agency of the federal government that supervises all federal savings and loan associations and federally insured state-chartered savings and loan associations. The FHLBB also operates the Federal Savings and Loan Insurance Corporation, which insures accounts at federal savings and loan associations and those state-chartered associations that apply and are accepted. In addition, the FHLBB directs the Federal Home Loan Bank System, which provides a flexible credit facility for member savings institutions to promote the availability of home financing. The FHL Banks also own the Federal Home Loan Mortgage Corporation, established in 1970 to promote secondary markets for mortgages.*

federal margin call: *A broker's demand upon a customer for cash or securities needed to satisfy the required Regulation T down payment for a purchase or short sale of securities.*

Federal Open Market Committee - FOMC: *Twelve-member committee made up of the seven members of the Board of Governors; the president of the Federal Reserve Bank of New York; and, on a rotating basis, the presidents of four other Reserve Banks. The FOMC meets eight times a year to set Federal Reserve guidelines regarding the purchase and sale of government securities in the open market as a means of influencing the volume of bank credit and money in the economy. It also establishes policy relating to System operations in the foreign exchange rates.*

Federal Reserve Act of 1913: *Federal legislation that established the Federal Reserve System.*

Federal Reserve Bank - FRB: *One of the twelve operating arms of the Federal Reserve System, located throughout the nation, that together with their twenty-five Branches carry out various System functions, including operating a nationwide payments system, distributing the nation's currency and coin, supervising and regulating member banks and bank holding companies, and serving as banker for the U.S. Treasury.*

Federal Reserve District (Reserve District or District): *One of the twelve geographic regions served by a Federal Reserve Bank.*

Federal Reserve float: *Checkbook money that, for a period of time, appears on the books of both the payor and payee due to the lag in the collection process. Federal Reserve float often arises during the Federal Reserve's check collection process. In order to promote an efficient payments mechanism with certainty as to the date funds become available, the Federal Reserve has employed the policy of crediting the reserve accounts of depository institutions depositing checks (the payee) according to an availability schedule before the Federal Reserve is able to obtain payment from the payor.*

Federal Reserve notes: *Nearly all of the nation's circulating paper currency consists of Federal Reserve notes printed by the Bureau of Engraving and Printing and issued to the Federal Reserve Banks to put into circulation through commercial banks and other depository institutions. Federal Reserve notes are obligations of the U.S. government.*

Federal Reserve System: *The central bank of the United States, created by Congress and made up of a seven-member Board of Governors in Washington, DC, twelve regional Federal Reserve Banks, and their twenty-five Branches.*

Fedwire: *Electronic funds transfer network operated by the Federal Reserve. Fedwire is usually used to transfer large amounts of funds and U.S. government securities from one institution's account at the Federal Reserve to another institution's account. It is also used by the U.S. Department of the Treasury and other federal agencies to collect and disburse funds.*

fiat money: *Money that has little or no intrinsic value as a commodity; it is costless to produce, usually taking the form of tokens or pieces of paper, and is not redeemable for any commodity.*

finance charge: *The total dollar amount paid to obtain credit.*

finance lease: *See open-end lease.*

financial institution: *An institution that uses its funds chiefly to purchase financial assets (loans, securities) as opposed to tangible property. Financial institutions can be classified according to the nature of the principal claims they issue. See also depository institution.*

financial instrument: *Any written instrument having monetary value or evidencing a monetary transaction.*

fiscal agency services: *Services performed by the Federal Reserve Banks on behalf of the U.S. government. These include maintaining deposit accounts for the Treasury Department, paying U.S. government checks drawn on the Treasury, and issuing and redeeming savings bonds and other government securities.*

fiscal policy: *The federal government's decisions about the amount of money it spends and collects in taxes to achieve a full employment and non-inflationary economy. See also contractionary fiscal policy and expansional fiscal policy.*

fixed exchange rate system: *Exchange rates between currencies that are set at predetermined levels and don't move in response to changes in supply and demand.*

fixed rate: *A traditional approach to determining the finance charge payable on an extension of credit. A predetermined and certain rate of interest is applied to the principal. See also variable rate.*

floating exchange rate system: *The flexible exchange rate system in which the exchange rate is determined by the market forces of supply and demand without intervention.*

foreign currency operations: *Purchase or sale of the currencies of other nations by a central bank for the purpose of influencing foreign exchange rates or maintaining orderly foreign exchange markets. Also called foreign-exchange market intervention.*

foreign exchange desk: *The foreign exchange trading desk at the New York Federal Reserve Bank. The desk undertakes operations in the exchange markets for the account of the Federal Open Market Committee, and acts as agent for the U.S. Treasury and for foreign central banks.*

foreign exchange rate: *Price of the currency of one nation in terms of the currency of another nation.*

forward exchange: *A type of foreign exchange transaction whereby a contract is made to exchange one currency for another at a fixed date in the future at a specified exchange rate. By buying or selling forward exchange, businesses protect themselves against a decrease in the value of a currency they plan to sell at a future date.*

FRBSF: *Federal Reserve Bank of San Francisco.*

FRCS-80: *The Communications network of the Federal Reserve which interconnects Federal Reserve Bank offices, the Board of Governors, depository institutions, and the Treasury. It is used for Fedwire transfers and transfers of U.S. securities as well as for transfer of Federal Reserve administrative, supervisory, and monetary policy information.*

frictional unemployment: *Short-term joblessness associated with mobility. A person who leaves a job to find something better is considered frictionally unemployed. This type of unemployment characterizes workers subject to seasonal work (e.g., construction, agricultural, winter recreational workers, etc.).*

Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins Act): *Federal legislation that, among other things, specifies the primary objectives of U.S. economic policy--maximum employment, stable prices, and moderate long-term interest rates.*

funds rate: *See federal funds rate.*

Futures: *Contracts that require delivery of a commodity of specified quality and quantity, at a specified price, on a specified future date. Commodity futures are traded on a commodity exchange and are used for both speculation and hedging.*

[G]

gold exchange standard: *A variant form of the gold standard under which a country pegged the value of its currency to the value of the currency of a 'major' country, e.g. sterling or dollars, which was itself on a gold* *standard. The international monetary regime in force between 1958 and 1970 is frequently described as a gold exchange standard system because of the wide use of the dollar, itself pegged to gold, as a reserve currency and as an accepted medium of exchange internationally.*

gold standard: *A monetary system in which currencies are defined in terms of a given weight of gold.*

government securities: *Securities issued by the U.S. Treasury or federal agencies.*

graduated payment: *Repayment terms calling for gradual increases in the payments on a closed-end obligation. A graduated payment loan usually involves negative amortization.*

grandfathered activities: *Nonbank activities, some of which would normally not be permissible for bank holding companies and foreign banks in the United States, but which were acquired or engaged in before a particular date. Such activities may be continued under the 'grandfather' clauses of the Bank Holding Company and International Banking Acts.*

gross domestic product - GDP: *The total value of a nation's output, income, or expenditure produced within a nation's physical borders.*

gross national product - GNP: *A country's total output of goods and services from all forms of economic activity measured at market prices for a calendar year.*

[H]

Humphrey-Hawkins Act : *Informal name for the Full Employment and Balanced Growth Act of 1978, from the names of the act's original sponsors. See Full Employment and Balanced Growth Act of 1978.*

[I]

impact lag: *The time it takes for the full impact of the policy to be felt. See also time lag, recognition lag, and implementation lag.*

implementation lag: *The time it takes for policymakers to act once they recognize an economic condition requiring action. See also time lag, impact lag, and recognition lag.*

Inflation: *A rate of increase in the general price level of all goods and services. (This should not be confused with increases in the prices of specific goods relative to the prices of other goods.)*

inflationary expectations: *The rate of increase in the general price level anticipated by the public in the period ahead.*

interest payments: *The return expressed in percentages earned on an investment each year. These payments are issued every six months based on an annual rate.*

intermediate targets: *An intermediate target is a variable (such as the money supply) that is not directly under the control of the central bank, but that does respond fairly quickly to policy actions, is observable frequently, and bears a predictable relationship to the ultimate goals of policy.*

international banking facility - IBF: *Facilities which, in general, can accept time deposits from foreign customers free of reserve requirements and interest rate limitations, and can lend to foreigners if the funds are for the conduct of foreign business outside of the U.S. Net borrowing from these facilities by domestic banking offices is subject to reserve requirements.*

International Monetary Fund - IMF: *An international organization with 146 members, including the United States. The main functions of the IMF are to lend funds to member nations to finance temporary balance of payments problems, to facilitate the expansion and balanced growth of international trade, and to promote international monetary cooperation among nations. The IMF also creates special drawing rights (SDR's), which provide member nations with a source of additional reserves. Member nations are required to subscribe to a Fund quota, paid mainly in their own currency. The IMF grew out of the Bretton Woods Conference of 1944.*

issue date: *The date when a refund payment is issued on a Treasury Security representing the difference between the investment amount and the purchase price, as determined at auction.*

[J]

joint float: *An arrangement by which a group of currencies maintain a fixed relationship relative to each other, but move jointly relative to another currency in response to supply and demand conditions in the exchange market.*

[K]

Keynesian Economics: *An economic theory originated by the British economist John Maynard Keynes and his followers. Keynes maintained that governments should use the power of the budget to maintain economic growth and stability and overcome the recessionary cycles common in most western economies.*

key rate: *The interest rate that controls, either directly or indirectly, bank lending rates and the cost of credit paid by borrowers.*

[L]

lender of last resort: *As the nation's central bank, the Federal Reserve has the authority and financial resources to act as 'lender of last resort' by extending credit to depository institutions or to other entities in unusual circumstances involving a national or regional emergency, where failure to obtain credit would have a severe adverse impact on the economy.*

liquidity : *(1) The ability of a bank or business to meet its current obligations; (2) the quality that makes an asset quickly and readily convertible into cash.*

long-term interest rates : *Interest rates on loan contracts--or debt instruments such as Treasury bonds or utility, industrial, or municipal bonds--having maturities greater than one year. Often called capital market rates.*

[M]

M1: *Measure of the U.S. money stock that consists of currency held by the public, travelers checks, demand deposits, and other checkable deposits including NOW (negotiable order of withdrawal) and ATS (automatic transfer service) account balances and share draft account balances at credit unions.*

M2: *Measure of the U.S. money stock that consists of M1, certain overnight repurchase agreements and certain overnight Eurodollars, savings deposits (including money market deposit accounts), time deposits in amounts of less than $100,000, and balances in money market mutual funds (other than those restricted to institutional investors).*

M3: *Measure of the U.S. money stock that consists of M2, time deposits of $100,000 or more at all depository institutions, term repurchase agreements in amounts of $100,000 or more, certain term Eurodollars, and balances in money market mutual funds restricted to institutional investors.*

Macroeconomics: *The study of economics in terms of whole systems with reference to general levels of output and income and to the interrelations among sectors of the economy. See also microeconomics.*

Margin: *With regard to securities, this term refers to a fractional amount of full value, or the equity outlay (down payment) required for an investment in securities purchased on credit.*

margin stock: *Any stock listed on a national securities exchange, any over-the-counter security approved by the SEC for trading in the national market system or appearing on the Board's list of over-the-counter margin stock, and most mutual funds.*

market interest rates: *Rates of interest paid on deposits and other investments, determined by the interaction of the supply of and demand for funds in financial markets.*

matched sale-purchase agreements: *An agreement in which the Federal Reserve sells a security outright for immediate delivery to a dealer or foreign central bank, with an agreement to buy the security back on a specific date (usually within 7 days) at the same price. Matched sale-purchase agreements are the reverse of repurchase agreements and allow the Federal Reserve to withdraw reserves on a temporary basis.*

member bank: *Depository institution that is a member of the Federal Reserve System. All federally chartered banks are automatically members of the System. State-chartered banks are divided into those that are members of the System (state member banks) and those that are not (nonmember banks).*

Microeconomics: *The study of economics in terms of individual areas of activity (as a firm, household, or prices). See also macroeconomics.*

monetary aggregates: *See money supply.*

***monetary base** : Those assets that depository institutions can use to meet their legal reserve requirements. The monetary base consists of deposits (reserves) held by depository institutions at Federal Reserve Banks plus Treasury currency and coins outstanding.*

***Monetary Control Act of 1980 - MCA:** An Act which requires that all banks and all institutions that accept deposits from the public make periodic reports to the Federal Reserve System. Starting in September 1981, the Fed charged banks for a range of services that it had provided free in the past, including check clearing, wire transfer of funds, and the use of automated clearinghouse facilities.*

***monetary policy:** The regulation, by the Federal Reserve System, of the money supply in order to maximize production and employment and stabilize prices. See also contractionary monetary policy and expansionary monetary policy.*

***Monetize:** To convert assets into money.*

***money market:** Figurative expression for the informal network of dealers and investors over which short-term debt securities are purchased and sold. Money market securities generally are highly liquid securities that mature in less than one year, typically in less than ninety days.*

***money market rates:** See short-term interest rates.*

***money multiplier:** The relationship between the monetary base and the money supply. The multiplier explains the money supply has expanded through the banking system by distribution of excess reserves.*

***money supply:** The amount of money (coins, paper currency, and checking accounts) that is in circulation in the economy.*

***moral hazard:** The risk that a party to a transaction has not entered into a contract in good faith, has provided misleading information about its assets, liabilities, or credit capacity, or has an incentive to take unusual risks in a desperate attempt to earn a profit before the contract settles.*

***multilateralism :** An international policy intended to free international trade from the restrictions of bilateralism. Multilateralism represents an effort to permit nations to specialize in production and exchange in accordance with the principle of comparative advantage.*

***mutual savings banks:** Banks which accept deposits primarily from individuals and place a large portion of their funds into mortgage loans. These institutions are prominent in many of the northeastern states. Savings banks generally have broader asset and liability powers than savings and loan associations but narrower powers than commercial banks. Savings banks are authorized to offer checking-type accounts.*

[N]

***National Association Of Securities Dealers - NASD:** A self-regulatory organization with jurisdiction over certain broker-dealers. The NASD requires member brokers to register, and conducts examinations for compliance with net capital requirements and other regulations. It also conducts market surveillance of the over-the-counter (OTC) securities market. National Association of Securities Dealers Automated Quotations (NASDAQ) is a subsidiary of the NASD which facilitates the trading of approximately 5,000 most active OTC issues through an electronically connected network.*

***National Association of Securities Dealers Automated Quotations - NASDAQ:** An automated information network that provides brokers and dealers with price quotations on securities traded over the counter.*

***National Credit Union Administration - NCUA:** An independent federal agency that supervises and insures both federal and state-chartered credit unions. NCUA is entirely funded by credit unions and receives no tax dollars.*

***natural rate of unemployment:** The rate of unemployment attainable without stimulating an increase in the inflation rate.*

***negative amortization:** An increase in the principal of a loan, when the loan payments are insufficient to pay the interest due. The unpaid interest is added to the outstanding loan balance causing the principal to increase rather than decrease as payments are made. This situation typically occurs in an adjustable mortgage with an annual cap limiting any increases in the interest rate, and also in a graduated payment mortgage, which has low initial payments so moderate-income borrowers can afford to make the loan payments.*

***Negotiable Order of Withdrawal account - NOW:** An interest earning account on which checks may be drawn. Withdrawals from NOW accounts may be offered by commercial banks, mutual savings banks, and savings and loan associations and may be owned only by individuals and certain nonprofit organizations and governmental units.*

nominal interest rates: *Current stated rates of interest paid or earned.*

noncompetitive bidders: *One of two categories of bidders on Treasury securities: competitive and noncompetitive. Noncompetitive bidders, made up of individuals or financial institutions, receive the average price and investment yield of the accepted competitive bids.*

nonmember bank: *Depository institution that is not a member of the Federal Reserve System. Specifically, a state-chartered commercial bank that has elected not to join the System.*

nonmember depository institution: *A depository institution (commercial bank, mutual savings bank, savings and loan association, credit union, or U.S. agency or branch of a foreign bank) that is not a member of the Federal Reserve System. Nonmember depository institutions that offer transaction accounts or nonpersonal time deposits are subject to reserve requirements set by the Federal Reserve, and have access to the Federal Reserve discount window and Federal Reserve services on the same terms as member banks.*

Note: *A medium-term obligation of the U.S. Treasury; 2-10 years' maturity. See also bill and bond.*

Numismatic: *Pertaining to coins and the collection of coins and medals.*

[O]

Office of Thrift Supervision - OTS: *A bureau of the Treasury Department established in August 1989. OTS has the authority to charter federal Thrift Institutions and serves as the primary regulator of approximately 2,000 federal and state chartered thrifts.*

Office of the Comptroller of the Currency - OCC: *An independent bureau of the Treasury Department and the oldest federal financial regulatory body. The OCC oversees the nation's federally chartered banks and promotes a system of bank supervision and regulation that: promotes safety and soundness by requiring that national banks adhere to sound management principles and comply with the law; and encourages banks to satisfy customer and community needs while remaining efficient competitors in the financial services market.*

open-end credit: *A line of credit that may be used repeatedly up to a certain limit. (Also called a charge account or revolving credit.)*

open-end lease: *A lease that may involve a balloon payment based on the value of the property when it is returned. (Also called finance lease.)*

open market operations: *Purchases and sales of government securities and certain other securities in the open market, through the Domestic Trading Desk at the Federal Reserve Bank of New York as directed by the Federal Open Market Committee (FOMC), to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit; sales do the opposite.*

Option: *The right to buy or sell a security or commodity at a specified price during a specified period. The holder of an option has the right, but not the obligation, to buy (call option) or sell (put option) a security or commodity at a specified price during a specified period. The writer of an option is obligated to sell (call option) or purchase (put option) the instrument only if the holder chooses to exercise the option.*

OTC margin bond: *A debt security, not traded on the national securities exchange, which meets certain Regulation T requirements as to size of original offering, available information, and status of interest payments. See also over the counter (OTC).*

overdraft checking account: *A checking account associated with a line of credit that allows a person to write checks for more than the actual balance in the account, generally with a finance charge on the overdraft.*

over the counter - OTC: *Figurative term for the means of trading securities that are not listed on an organized stock exchange such as the New York Stock Exchange, as in OTC margin bonds. Over-the-counter trading is done by broker-dealers who communicate by telephone and computer networks.*

[P]

par value: *The full face value of a security.*

payments system: *Collective term for mechanisms (both paper-backed and electronic) for moving funds, payments, and money among financial institutions throughout the nation. The Federal Reserve plays a major role in the nation's payments system through distribution of currency and coin, processing of checks, electronic transfer of funds, and the operation of automated clearinghouses that transfer funds electronically among depository institutions; various private organizations also perform payments system functions.*

permissible nonbank activities: *Financial activities closely related to banking that may be engaged in by bank holding companies (BHC's), either directly or through nonbank subsidiaries. For example, a BHC might* *own finance companies or engage in mortgage banking. The Federal Reserve Board determines which activities are closely related to banking. Before making such activities permissible, the Board must determine that performance of the activities by bank holding companies is in the public interest.*

Points: *In reference to a loan, points consist of a lump sum payment made by the borrower at the outset of the loan period. Generally, each point equals one percent of the loan amount. See also seller's points.*

potential output: *The level of real GDP(gross domestic product) that can be sustained in the long run and that is consistent with constant inflation.*

Premium: *The amount by which the auction price of a bill, note, or bond is higher than its face value.*

principal payments: *The face amount or par value of a debt instrument where interest is paid. The interest payment is not part of the principal*

Productivity: *The amount of physical output for each unit of productive input.*

pro rata: *1. 'According to the rate' (Latin); 2. In proportion to a total amount. For example, if a contract is terminated prior to the end of the period for which payment has been given, a pro rata return of the payment is made, in proportion to the unused period of time remaining.*

purchasing power parity theory: *A theory by which the exchange rate between any two currencies adjusts to reflect changes in the price levels within the two countries.*

purpose credit: *Credit used for the purpose of buying, carrying, or trading in securities.*

[Q]

qualifying ratio*: A borrower's total regular monthly debt as a percentage of gross monthly income.*

Quarterlies: *Interim financial reports on the condition of a publicly held company, released each quarter of its fiscal year.*

[R]

real GDP: *GDP(gross domestic product) adjusted for inflation. Real GDP provides the value of GDP in constant dollars, which is used as an indicator of the volume of the nation's output.*

real interest rates: *Interest rates adjusted for the expected erosion of purchasing power resulting from inflation. Technically defined as nominal interest rates minus the expected rate of inflation.*

Recession: *A significant decline in general economic activity extending over a period of time.*

recognition lag: *The time it takes for policymakers to recognize the state of the economy. See also time lag, implementation lag, and impact lag.*

Regional Check Processing Center - RCPC: *A Federal Reserve check processing operation that clears checks drawn on depository institutions located within a specified area. RCPCs expedite collection and settlement of checks within the area on an overnight basis.*

renegotiable rate: *A type of variable loan rate involving a renewable short-term 'balloon' note. The interest rate on the loan is generally fixed during the term of the note, but when the balloon comes due, the lender may refinance it at a higher rate. In order for the loan to be fully amortized, periodic refinancing may be necessary. Also see balloon payment.*

repurchase agreements: *An agreement by which, for example, the Federal Reserve purchases a security for immediate delivery and receives interest at a specific rate from a government securities dealer, with an agreement to sell the security back at the same price by a specific date (usually within 15 days). This arrangement allows the Federal Reserve to inject reserves into the banking system on a temporary basis to meet a temporary need and to withdraw these reserves as soon as that need has passed.*

required reserves: *Funds that a depository institution is required to maintain as vault cash or on deposit with a Federal Reserve Bank; required amount varies according to required reserve ratios set by the Board of Governors and the volume of reservable liabilities held by the institution.*

required clearing balance: *Amount kept by a depository institution in an account at a Federal Reserve Bank, in addition to its required reserve balance, to ensure that it can meet its daily transaction obligations without overdrawing its required reserve account and thereby incurring a penalty. Required clearing balances earn credits that can be used to pay for services provided by the Federal Reserve.*

required reserve balance: *Portion of its required reserves that a depository institution must hold in an account at a Federal Reserve Bank.*

Reserves: *A depository institution's vault cash (up to the level of its required reserves) plus balances in its reserve account (not including funds applied to its required clearing balance).*

revolving credit: *See open-end credit.*

[S]

savings and loan association - S&L: *Historically, a depository institution that accepted deposits mainly from individuals and invested heavily in residential mortgage loans. Although still primarily residential lenders, S&Ls may now offer checking-type deposits and make a wider range of loans.*

savings bank: *Depository institution historically engaged primarily in accepting consumer savings deposits and in originating and investing in securities and residential mortgage loans; now may offer checking-type deposits and make a wider range of loans.*

Securities and Exchange Commission - SEC: *An independent, non-partisan, quasi-judicial regulatory agency with responsibility for administering the federal securities laws. The purpose of these laws is to protect investors and to ensure that investors have access to disclosure of all material information concerning publicly traded securities. The Commission also regulates firms engaged in the purchase or sale of securities, people who provide investment advice, and investment companies.*

Securities: *Paper certificates (definitive securities) or electronic records (book-entry securities) evidencing ownership of equity (stocks) or debt obligations (bonds).*

security interest: *The property or a portion of property offered as security.*

Seigniorage: *The profit which results from the difference between the cost of making coins and currency and the exchange value of coin and currency in the market.*

self-regulatory organizations - SRO: *Nongovernment organizations that have statutory responsibility to regulate their own members such as the New York Stock Exchange and National Association Of Securities Dealers.*

seller's points: *In reference to a loan, seller's points consist of a lump sum paid by the seller to the buyer's creditor to reduce the cost of the loan to the buyer. This payment is either required by the creditor or volunteered by the seller, usually in a loan to buy real estate. Generally, one point equals one percent of the loan amount. See also points.*

short-term interest rates: *Interest rates on loan contracts--or debt instruments such as Treasury bills, bank certificates of deposit, or commercial paper--having maturities of less than one year. Often called money market rates.*

small saver certificate: *A certificate of deposit, with a minimum maturity of 2-1/2 years, offered by banks and thrift institutions to individuals. The interest rate on these certificates is related to the average yield on 2-1/2 year Treasury securities, in accordance with regulations issued by the Depository Institutions Deregulation Committee. There is no minimum denomination required on these certificates.*

special drawing rights - SDR: *A type of international money created by the International Monetary Fund (IMF) and allocated to its member nations. SDRs are an international reserve asset, although they are only accounting entries (not actual coin or paper, and not backed by precious metal). Subject to certain conditions of the IMF, a nation that has a balance of payments deficit can use SDRs to settle debts to another nation or to the IMF.*

spot transaction: *A foreign exchange transaction in which each party promises to pay a certain amount of currency to the other on the same day or within one or two days.*

state member bank: *A bank that is chartered by a state and has elected to join the Federal Reserve System.*

structural unemployment: *Long-term joblessness caused by shifts in the economy. Often structural unemployment occurs because of changes in technology.*

street name: *Securities held in the name of brokers, or banks, or their nominees, instead of in the customer's name.*

Surcharge: *An extra charge imposed on those who purchase with a credit card instead of cash. (Currently, surcharges for credit card purchases are prohibited.)*

Swap: *An arrangement between the central banks of two countries for standby credit to facilitate the exchange of each other's currencies.*

swap arrangements: *Short-term reciprocal lines of credit between the Federal Reserve and 14 foreign central banks as well as the Bank for International Settlements. Through a swap transaction, the Federal Reserve can, in effect, borrow foreign currency in order to purchase dollars in the foreign exchange market. In doing so, the demand for dollars and the dollar's foreign exchange value are increased. Similarly, the Federal Reserve can temporarily provide dollars to foreign central banks through swap arrangements.*

Society for Worldwide Interbank Financial Telecommunications - SWIFT: *A message writing system that connects worldwide participating banks, primarily for the purpose of communicating payment information. Frequently, the SWIFT message is only part of an international payment.*

[T]

tender: *An application or offer to purchase a U.S. Treasury bill, note, or bond.*

The Desk: *The trading desk at the Federal Reserve Bank of New York through which open market purchases and sales of government and federal agency securities are made. The desk maintains direct telephone communication with major government securities dealers. A 'foreign desk' at the Federal Reserve Bank of New York conducts transactions in the foreign exchange market.*

thrift institution: *A general term encompassing savings banks, savings and loan associations, and credit unions.*

Thrift Institutions Advisory Council - TIAC: *A council, established following the passage of the Monetary Control Act of 1980, whose purpose is to provide information and views on the special needs and problems of thrifts. The group is comprised of representatives of savings banks, savings and loan associations, and credit unions.*

time lags: *In stabilization policy, refers to the period between an economic event and the impact of the economic policy to correct it. See also recognition lag, implementation lag, and impact lag.*

trade deficit: *The amount by which merchandise imports exceed merchandise exports.*

trade-weighted value of the dollar: *The value of the dollar pegged to or expressed relative to a market basket of selected foreign currencies. The Federal Reserve calculates a trade-weighted value of the dollar based on the weighted-average exchange value of the dollar against the currencies of 10 industrial countries.*

transaction account: *A checking or similar account from which transfers can be made to third parties. Demand deposit accounts, negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, and credit union share draft accounts are examples of transaction accounts at banks and other depository institutions.*

Treasury bill: *See bill.*

Treasury bond: *See bond.*

Treasury Direct: *Service provided to the U.S. Department of the Treasury whereby Federal Reserve Banks hold book-entry Treasury securities purchased by individuals.*

Treasury note: *See note.*

Treasury securities: *See securities.*

Total Nonfinancial Debt: *Includes outstanding credit market debt of federal, state, and local governments and of private nonfinancial sectors (including mortgages and other kinds of consumer credit and bank loans, corporate bonds, commercial paper, bankers acceptances, and other debt instruments).*

Twelve L - 12L: *Refers to the Federal Reserve Bank of San Francisco, which is the Twelfth District in the Federal Reserve System. 'L' is the official letter for the Twelfth District seal, being the twelfth letter of the alphabet.*

[U]

uncertain responses: *In stabilization policy, the situation when the reactions of individuals and businesses to a policy is not what policymakers predicted (e.g., a decrease in income tax rates that does not increase consumer spending).*

unemployment rate: *The percentage of the labor force that is unemployed and actively seeking a job.*

U.S. Treasury securities: *Direct obligations of the U.S. Government, issued by the U.S. Treasury's Bureau of Public Debt as a means of financing the Federal Government. There are three types of securities issued: Treasury bills (T-bills), Treasury bonds, and Treasury notes.*

Utility: *Utility theory explains consumer tastes and preferences. Consumers purchase those things that give them satisfaction or utility. As a consumer consumes more of any one product, other goods and services look more desirable. As one consumes more of a product, smaller and smaller increments of pleasure or satisfaction come from it. The law of diminishing marginal utility underlies the law of demand.*

[V]

variable rate: *A variable rate agreement, as distinguished from a fixed rate agreement, calls for an interest rate that may fluctuate over the life of the loan. The rate is often tied to an index that reflects changes in market rates of interest. A fluctuation in the rate causes changes in either the payments or the length of the loan term. Limits are often placed on the degree to which the interest rate or the payments can vary.*

vault cash : *Cash kept on hand in a depository institution's vault to meet day-to-day business needs, such as cashing checks for customers; can be counted as a portion of the institution's required reserves.*

Velocity: *The rate at which money balances turn over in a period for expenditures on goods and services (often measured as the ratio of GNP--gross national product-- to the money stock). A larger velocity means that a given quantity of money is associated with a greater dollar volume of transactions.*

[W]

wire transfer: *Electronic transfer of funds; usually involves large dollar payments.*

wraparound : *A financing device that permits an existing loan to be refinanced and new money to be advanced at an interest rate between the rate charged on the old loan and the current market interest rate. The creditor combines or 'wraps' the remainder of the old loan with the new loan at the intermediate rate.*

[X]

x-mark signature: *A signature made by a person unable to sign his or her name. To be legally valid, the signature must be witnessed by another person.*

X9*:* *A financial standards committee accredited by the American National Standards Institute. X9 develops and publishes voluntary financial industry payment standards for banks and other depository financial institutions.*

[Y]

yield: *The return on a loan or investment, stated as a percentage of price.*

yankee bond: *A dollar denominated bond issued in the United States by foreign banks and corporations. These bonds, the U.S. equivalent of the Eurobond, pay semi-annual interest, unlike the Eurobonds, which pay annual interest, and are registered with the Securities and Exchange Commission.*

[Z]

zero-coupon mortgage: *A long-term commercial mortgage that defers all payments of principal and interest until maturity.*