

Financial Market Terms and Concepts

Business Entity

Equity vs. Debt

Financial Instruments

- Currency
- Common Stock
- Preferred Stock
- Fixed Income Bond
- Variable Rate
- Discounted Instrument (CD, CP, T-BILL)
- Zero-Coupon Bond
- Convertible Debt
- Mortgaged Backed Securities
- Asset-Backed Securities
- Mutual Fund Units

Financial Market Players

- Retail (individual) Investors
- Banks
- Central Bank
- Clearing of Checks (ACH)
- Issuer (classification of financial instruments by type of issuer)
- SEC
- Stock Exchange
- Depository/Clearing House
- Broker/Dealer/Investment Banker
- Market Maker
- Broker
- Custodian
- Institutional Investor
- Portfolio Manager

Investment Management

- Investment Objective
- Diversification
- Asset Allocation
- Growth, Value Stock

How is Stock Price determined?

- EPS
- Price Earning Ratio
- Dividend
- Fundamental Analysis
- Technical Analysis

How is Bond Price determined?

- Yield Curve

- Yield and Price
- Credit Ratings

Financial Markets

- Capital Market
- Money Market
- Foreign Exchange
- Primary Market
- Secondary Market
- OTC
- Telephone
- Electronic Trading Platforms

Financial Transactions

- Buy
- Sell
- Short Sell
- Buy to Cover
- Settlement
- Interest Accrual
- Amortization and Accretion

Corporate Actions (Mandatory and Voluntary)

- Dividend
- Split
- Merger
- Rights
- Interest Payment
- Maturity/Redemption
- Put
- Call
- Paydown

How are Investment Transactions Processed?

Investor and Broker

- Order
- Order Execution
- Contract
- Settlement

Buyer and Seller

- Deal
- Contract Confirmation
- Settlement

Risks & Limits

- Country/Currency Risk
- Issuer/Credit Risk
- Market Risk
- Liquidity Risk
- Settlement Risk
- Operational Risk

Front, Middle and Back-Office

Trade Date vs. Settlement Date Accounting

- Position
- Open Lot/Tax Lot
- Closed Lot
- Realized Gain/Loss
- Mark-to-Market/Unrealized Gain Loss

Basic concepts in Financial Accounting

- Assets
- Liabilities
- Income
- Expense
- Balance Sheet
- Earning Statement
- Double Entry Book Keeping
- Rules for accounting

Accounting of Investment Transactions

- Financial Accounting Standards Board (FASB)
- Trading, Available for Sale and Held to Maturity

Investment related Systems

Front office Systems

Middle office Systems

Back-office Systems

Interfaces

Vendor Feeds

Settlement Networks & Interfaces

- ACH
- FEDWIRE
- SWIFT
- FIX

Reference Data

Transactions

Current and Historical Positions

Accounting

Systems Design Considerations

- Mission Critical Nature
- Secure Environment
- Reliability
- Throughput and System Performance
- Scalability
- Audit Trail
- 24 X 7 Availability
- Support multiple-time zones
- Logs
- Disaster Recovery
- Backup, Restore and reprocessing
- "As of" Processing and value date/effective date

Additional Topics

Derivatives

- Forward
- Options
- Futures
- Interest Rate Swap
- Credit Derivatives
- Buy an Option
- Write an Option

An example of a Fixed Income Accounting System