

**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**