GLOSSARY

American Depositary Receipt - a negotiable certificate, usually issued by a United States bank, denominated in shares, certifying that a stated number of securities of a foreign issuer has been deposited with a depositary (a United States bank or its foreign affiliate or correspondent).

American Depositary Share - a security, evidenced by an American Depositary Receipt, that represents a foreign security or a multiple or fraction thereof which foreign security has been deposited with a depositary.

Asiadollar Bond (see Eurobond)

Bearer Instrument - a negotiable instrument for which ownership is transferred by change of physical possession. The bearer is the legal owner of such instruments.

Big Bang - the term used to describe the change in the regulatory structure of the London securities markets. The major changes involved: removal of restrictions on foreign ownership of United Kingdom securities firms (March 1986); unfixing of commission rates for trades on the London Stock Exchange (now the International Stock Exchange) and abolition of the broker/jobber segregation (October 27, 1986); and implementation of the Stock Exchange Automated Quotation (SEAQ) System, a new screen-based trading system (October 27, 1986). Also, part of the development of a new United Kingdom regulatory structure was the enactment of the Financial Services Act, which establishes the Securities and Investments Board (SIB), requires authorization thereby of all self-regulatory agencies, and requires membership of all members of the securities industry in such a self-regulatory agency or direct registration with the SIB (November 1986).

Blind Brokering Screens - video display screens that show real-time quotation and trade information for United States government securities. The screens are owned by government securities brokers who limit access to the screens to primary and aspiring primary dealers. A primary dealer wishing to effect a trade must call the inter-dealer broker to consummate the trade and only the inter-dealer broker knows who is the contra party to the trade; thus, the system is a "blind" trading system.

Book-entry - electronic entries on the computerized records of United States registered clearing agencies that represent clearing agency participants' securities positions with the clearing agency. It is also used to refer to a method of settlement (i.e., book-entry settlement) that permits clearing agency participants to settle trades by instructing
the clearing agency to debit or credit their accounts at the
depository by electronic entry.

Bulldog Bonds - foreign bonds issued in the United Kingdom
(see also Foreign Bonds).

Clearance and Settlement - the completion and settlement
of financial transactions and an agreement between parties as
to terms and conditions.

Clearing Agencies - associations of banks or brokers that
provide facilities and services relating to the settlement of
securities transactions between their members on a prescribed
basis.

Closed-end Funds - investment funds that issue only a
limited number of shares, which therefore may be purchased only
from current owners.

Common Prospectus Approach - designed to facilitate
multinational offerings, this approach would require all
participating countries to agree on disclosure standards for an
offering document that could be used in two or more of the
countries (see also Reciprocal Approach).

Continuous-net-settlement System - an accounting system
used by United States registered clearing agencies that
summarizes and nets each participant's daily transactions in
each issue, including previous open positions, to create a
single long position or a single short position.

Convertible Currency Bonds - bonds which give the owner
the right to convert payments of interest and/or principal into
another currency, often at predetermined exchange rates and
conversion dates.

Credit Controls - government controls over national money
and credit policies, credit and money supplies and interest
rates. These controls can affect the quantity and cost of
credit available to domestic and foreign borrowers in the
country's capital markets, and can strongly influence the
direction of the national economy.

Currency Swaps - agreements between two counterparties to
exchange specific amounts of one currency for another and to
re-exchange the currencies at a specific time in the future.
The swaps are designed to occur at a predetermined rate of
exchange, usually based on the spot rate of the two currencies
as of the beginning of the swap period (see also Interest Rate
Swaps).
Delivery-versus-payment - a method of securities settlement in which the buyer (or the buyer's agent) receives purchased securities from the seller (or the seller's agent) only against full payment for the securities.

Dual Currency Bonds - long-term securities denominated in two currencies. The most common types have been bonds with initial and interim coupon payments in a non-dollar currency such as Swiss francs or yen, and a fixed final principal payment in United States dollars (see also Foreign Currency Bond).

Equity Related Bonds - bonds that have both a debt and an equity component, e.g., convertible bonds and bonds with equity warrants.

Eurobond - debt security issued multinationally through an international syndicate of banks or securities firms in a currency other than that of the country in which the bond is issued. The all-inclusive term has several derivatives and variations, such as Eurodollar bond, Euroyen bond, Euro-DM bond, etc., that indicate the currency in which the offering is denominated; and Asiadollar bond, etc., which indicates the primary geographic area of the offering (see also Foreign Bond and International Bond).

Eurocommercial Paper - short-term, unsecured debt taking the form of promissory notes and issued in the same manner as Eurobonds.

Eurocredits (see Syndicated Loans)

Eurocurrency Market - the market for deposit liabilities, denominated in a currency other than that of the country of the bank in which the deposit is made.

Eurodollar Securities (see Eurobond)

Euroequity – Euroequities include common and preferred stocks distributed to investors in one or several markets outside the issuer's domestic market by a syndicate of international securities firms and banks.

Euromarket - the generic, all-inclusive term refers to all types of markets other than strictly domestic and foreign markets (see Eurobond, Eurocommercial paper, Eurocurrency market, Euroequity and Euronotes).

Euronotes - the term refers to short-term paper issued in the Euromarket similar in most respects to commercial paper except that it is issued pursuant to a facility of medium-term
duration. A Euronote facility provides a guarantee to the issuer for placement of its short-term paper for the period of its duration.

**European Currency Unit (ECU)** - an artificial currency unit comprising a "basket" of the currencies of nine members of the European Economic Community. The value of an ECU vis-a-vis a specific currency is determined according to specific weightings of the participating currencies.

**Euroyen Securities** (see Eurobond)

**Financial Forward Contracts** - individualized contracts requiring delivery at a future date of an agreed amount of one currency for another (see also Financial Futures Contracts).

**Financial Futures Contracts** - standardized contracts to buy or sell a "basket" of financial assets at a specific price and date in the future. Financial Futures are usually traded on an exchange, and settlement is usually made by net cash transfer rather than actual delivery of the financial assets. Examples of Financial Futures include interest rate futures, currency futures, and Treasury bond futures (see also Financial Forward Contracts).

**Floating Rate Notes** - notes (usually unsecured) paying interest at rates adjusted from time to time to correspond to the yield on a selected money market indicator, such as Treasury bills or LIBOR.

**Foreign Currency Bonds** - bonds whose proceeds are payable in a currency other than the domestic currency of the issuer (see also Dual Currency Bond).

**Foreign Bond** - debt security issued in a country other than that of the issuer, sold through a syndicate of banks or securities firms located primarily in the country of distribution, and denominated in the currency of that country (see also Eurobond; International Bond).

**Foreign Exchange Market** - the international market in which currencies are traded. The market performs several functions, including facilitating the transfer of purchasing power from one currency into another; the provision of credit for international commercial transactions; and provision of a means by which exposures to risks of exchange rate fluctuations may be minimized. Transactions in foreign exchange include those in the spot, forward, swap, option and futures markets.

**Grey Market** - in the Eurobond context, the grey market is similar to a "when-issued" market. This grey market occurs
when members of the selling group and underwriters supply an issue at discount rates prior to the actual offering date. Such a market would be unlawful in the United States. The term also refers to portions of certain domestic markets that are relatively less strictly regulated than the major markets of those countries, or those in which unconventional securities are sold.

Interest Rate Swaps - agreements between two counterparties to exchange interest payment flows of differing character arising from an underlying notional principal amount. The three main types are coupon swaps (fixed rate to floating rate in the same currency), basis swaps (one floating rate index to another floating rate index in the same currency), and cross-currency interest rate swaps (fixed rate in one currency to floating rate in another) (see also Currency Swaps).

International Bond - debt security that is issued originally outside the country of the borrower. These usually take the form of Eurobonds or foreign bonds (see also Eurobond; Foreign Bond).

International Capital Markets - one of the two subsets of the international financial markets. The term refers to all securities issued in the Euromarket or in a foreign market and that have a duration of over one year.

International Equity Market (see Euroequity)

International Financial Markets - an all-encompassing term which refers to all international or multinational markets for short-, medium- and long-term securities and loans, forward and swap contracts, financial futures and foreign currencies. Those portions of the international financial markets dealing with securities are divided into two subsets depending on the maturity of the instrument involved (see also International Capital Markets and International Money Markets).

International Money Markets - one of the two subsets of the international financial markets. The term refers to all securities issued either in the Euromarket or in a foreign market and that have a duration of one year or less.

LIBOR - London Interbank Offered Rate. This is the deposit rate offered for interbank loans within London. Variations on the term include LIBID, or the London Interbank Bid Rate which is the interest rate at which bids for interbank loans are made. The midpoint of the spread between LIBOR and LIBID is commonly referred to as LIMID.
Merchant Banks - banks that engage in a combination of investment banking and commercial (but not usually retail) banking functions. While prominent in Europe, for legal and historic reasons they are generally not found in the United States.

Multilateral Development Institutions - generally banks, such as the World Bank and the Asian Development Bank, that participate in international capital markets both as borrowers and as lenders to developing nations.

Netting - the process of offsetting expected deliveries of securities against expected receipts of the same securities. United States registered clearing agencies provide this service to their participants and generate for each participant one net settlement obligation per securities issue per day, rather than multiple delivery and receipt obligations in the same security.

Note Issuance Facilities (see Euronotes)

Open-end Mutual Funds - funds that redeem shares at net asset value and set no limit on the number of shares available for public sale, usually selling as many shares as possible.

Privatization - the sale of state property or enterprises to private business or investors. Generally privatizations have involved the distribution of shares to a wide number of investors (see also State Enterprises).

Queues - as a result of the process whereby monetary authorities restrict access to national capital markets, queues are formed when issuers "line-up" to distribute their securities.

Reciprocal Approach - designed to facilitate multinational offerings, this approach would require the agreement of each participating country that an offering document used by the issuer in its own country would be accepted for offerings in each of the other countries (see also Common Prospectus Approach).

Revolving Underwriting Facilities (see Euronotes)

Samurai Bonds - foreign bonds issued in Japan (see also Foreign Bond).

Securitization - the broad process whereby capital financing occurs through securities issuance rather than bank financing.
Securitized Asset Pools - assets pooled and sold as securities, either in the form of debt or equity-related instruments, to provide liquidity for the issuer's financial assets.

State Enterprises - property and industries owned by a national government (see also Privatization).

Swaps (see Currency Swaps and Interest Rate Swaps)

Syndicated Loans - bank credits extended by a group of banks in a given country or in different countries, often to nonresident borrowers.

Universal Banks - financial institutions such as those found in Germany and France which generally do not separate the investment and commercial banking functions.

Yankee Securities - foreign bonds issued in the United States (see also Foreign Bond).