



牛津英语百科分类词典系列

Oxford

DICTIONARY OF

FINANCE AND BANKING

牛津金融与银行词典



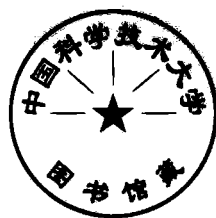
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图书在版编目 (CIP) 数据

牛津金融与银行词典 / (英) 巴特勒 (Butler, B.) 编.
—影印本. —上海: 上海外语教育出版社, 2001
(牛津英语百科分类词典系列)

书名原文: Oxford Dictionary of Finance and Banking

ISBN 7-81080-127-9

I. 牛… II. 巴… III. ①金融—英语—词典②银行业务—英语—词典 IV. F83-61

中国版本图书馆CIP数据核字 (2001) 第18601号

图字: 09-1999-311号

出版发行: 上海外语教育出版社

(上海外国语大学内) 邮编: 200083

电 话: 021-65425300 (总机), 65422031 (发行部)

电子邮箱: bookinfo@sflep.com.cn

网 址: <http://www.sflep.com.cn> <http://www.sflep.com>

责任编辑: 钱明丹

印 刷: 常熟市华顺印刷有限公司

经 销: 新华书店上海发行所

开 本: 850×1092 1/32 印张 12.125 字数 596 千字

版 次: 2001年4月第1版 2002年10月第3次印刷

印 数: 2 100 册

书 号: ISBN 7-81080-127-9 / H · 056

定 价: 16.00 元

本版图书如有印装质量问题,可向本社调换

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本社编辑部

Preface

A Dictionary of Finance and Banking is the second edition of *A Dictionary of Finance*, which was first published in 1993. The publishers have added 'Banking' to the title as the banking aspect of the subject has been considerably broadened in this new edition. This dictionary, which is a companion volume to *A Dictionary of Business* and *A Dictionary of Accounting*, is intended for students and professionals in the fields of finance and banking as well as for private investors and the readers of the financial pages of newspapers.

The 4,100 entries in the new edition, which include some 800 new entries, cover the vocabulary used in banking, money markets, foreign exchanges, financial futures and options, commodity markets, and takeovers and mergers, as well as business loans and debt-collecting.

Public finance is also included, with a substantial coverage of the terms used in government finance, the money supply, public-sector borrowing, local finance, central banking, and European finance.

The private investor and borrower will find full coverage of terms relating to savings, stock-exchange dealing, mortgages, pensions, life assurance, and taxation.

The contributors and editors of this book have been at great pains to make the entries as clear and as easy to understand as possible. Although jargon is not used in definitions, many of the jargon words and phrases are included and defined.

The coverage is wide and international, with entries for the world's standard currency units and many of the financial institutions in London, New York, Tokyo, Hong Kong, Frankfurt, and Paris.

BB
DB
AI
1997

Note: An asterisk (*) placed before a term in a definition indicates that this term can be found as an entry in the dictionary and will provide further information. Synonyms and abbreviations are usually found within brackets immediately following a headword.

A

A1 A description of property or a person that is in the best condition. In marine insurance, before a vessel can be insured, it has to be inspected to check its condition. If it is "maintained in good and efficient condition" it will be shown in *Lloyd's Register of Shipping as 'A' and if the anchor moorings are in the same condition the number '1' is added. This description is also used in life assurance, in which premiums are largely based on the person's health. After a medical examination a person in perfect health is described as "an A1 life".

AADFI Abbreviation for *Association of African Development Finance Institutions.

ABI Abbreviation for *Association of British Insurers.

above-the-line **1.** Denoting entries above the horizontal line on a company's *profit and loss account that separates the entries that establish the profit (or loss) from the entries showing how the profit is distributed. Prior to the introduction of Financial Reporting Standard 3, 'Reporting Financial Performance', in October 1992, it was understood that any exceptional items that were within the ordinary activities of the business were shown above the line, while any extraordinary items that were outside the ordinary activities of the business were shown below it. There was, however, criticism that the definitions of extraordinary and exceptional items could be manipulated to improve the *earnings per share figure. For example, if a building was sold for a large profit it could be interpreted as being exceptional and included in the earnings per share, whereas if it was sold at a loss it could be interpreted as being extraordinary and not included in the earnings per share. Since the introduction of FRS 3, both exceptional and extraordinary items are shown above the line and are included in the earnings per share. **2.** Denoting advertising expenditure on mass media advertising, including press, television, radio, and posters. It is traditionally regarded as all advertising expenditure on which a commission is payable to an advertising agency. **3.** Denoting transactions concerned with revenue, as opposed to capital, in national accounts. *Compare* BELOW-THE-LINE.

absorption costing The process of costing products or activities by taking into account the total costs incurred in producing the product or service, however remote. This method of costing ensures that full costs are recovered provided that goods or services can always be sold at the price implied by full-cost pricing. However, if sales are lost due to the high sales price opportunities may be lost of making some contribution to overheads. *Compare* MARGINAL COSTING.

ACA Abbreviation for Associate of the *Institute of Chartered Accountants.

ACC Abbreviation for *Agricultural Credit Corporation Ltd.

ACCA Abbreviation for Associate of the Chartered Association of Certified Accountants. *See* CERTIFIED ACCOUNTANT; CHARTERED ACCOUNTANT.

acceptance **1.** The signature on a *bill of exchange indicating that the person on whom it is drawn accepts the conditions of the bill. Acceptance is usually written: 'Accepted, payable at ... (name and address of bank): (Signature)'. *See also* NON-ACCEPTANCE. **2.** A bill of exchange that has been so accepted. **3.** Agreement

to accept the terms of an offer; for example, the agreement of an insurance company to provide a specified insurance cover or of a trader to accept a specified parcel of goods at the offer price.

acceptance credit A means of financing the sale of goods, particularly in international trade. It involves a commercial bank or merchant bank extending credit to a foreign importer, whom it deems creditworthy. An acceptance credit is opened against which the exporter can draw a *bill of exchange. Once accepted by the bank, the bill can be discounted on the *money market or allowed to run to maturity. In return for this service the exporter pays the bank a fee known as an **acceptance commission**.

acceptance supra protest (acceptance for honour) The acceptance or payment of a *bill of exchange, after it has been dishonoured, by a person wishing to save the honour of the drawer or an endorser of the bill.

accepting house An institution specializing in accepting or guaranteeing *bills of exchange. A service fee is charged for guaranteeing payment, enabling the bill to be discounted at preferential rates on the *money market. The decline in the use of bills of exchange has forced the accepting houses to widen their financial activities, many of whom have returned to their original role as *merchant banks.

Accepting Houses Committee A committee representing the 16 *accepting houses in the City of London. Members of the committee are eligible for finer discounts on bills bought by the Bank of England, although this privilege has been extended to other banks.

acceptor The drawee of a *bill of exchange after acceptance of the bill, i.e. the acceptor has accepted liability by signing the face of the bill.

accommodation bill A *bill of exchange signed by a person (the accommodation party) who acts as a guarantor. The accommodation party is liable for the bill should the *acceptor fail to pay at maturity. Accommodation bills are sometimes known as **windbills** or **windmills**. See also KITE.

accommodation endorser A person or a bank that endorses a loan to another party; for example, a parent company may endorse a bank loan to a subsidiary. The endorser becomes a guarantor and is secondarily liable in case of default. Banks may endorse other banks' acceptance notes, which can then be traded on the secondary market.

account 1. A statement of indebtedness from one person to another; an invoice. A provider of professional services or of goods may render an account to a client or customer, and a solicitor selling a house on a person's behalf will render an account of the sale, which may show that the solicitor owes the seller the proceeds of the sale, less expenses. 2. A named segment of a ledger recording transactions relevant to the person or the matter named. Accounts consist of two sides; increases are recorded on one side and decreases on the other. Accounts may be kept in a written form in a ledger, they may be on loose cards, or they may be held in a computer. 3. An account maintained by a *bank or a *building society in which a depositor's money is kept. See CHEQUE ACCOUNT; CURRENT ACCOUNT; DEPOSIT ACCOUNT. 4. A period during which dealings on the London Stock Exchange were formerly made without immediate cash settlement. Up to the end of each account, transactions were recorded but no money changed hands. Settlement of all transactions made within an account was made ten days after the account ended. This practice changed in 1996 when the account system

was abandoned. **5.** In an advertising, marketing, or public-relations agency, a client of the agency from whom a commission or fee is derived, in return for the services. **6.** See ANNUAL ACCOUNTS.

accountability An obligation to give an account. For limited companies, it is assumed that the directors of the company are *accountable to the shareholders* and that this responsibility is discharged, in part, by the directors providing an annual report and accounts (see ANNUAL ACCOUNTS). In an accountability relationship there will be at least *one principal and at least one agent*. This forms the basis of an **agency relationship*.

accountant A person who has passed the accountancy examinations of one of the recognized accountancy bodies and completed the required work experience. Each of the bodies varies in the way they train their students and the type of work expected to be undertaken. For example, accountants who are members of the Chartered Institute of Public Finance and Accountancy generally work in local authorities, the National Health Service, or other similar public bodies, while members of the Chartered Institute of Management Accountants work in industry (see CHARTERED ACCOUNTANT; MANAGEMENT ACCOUNTING). Wherever accountants work, their responsibilities centre on the collating, recording, and communicating of financial information and the preparation of analyses for decision-making purposes.

account day (settlement day) The day on which all transactions made during the previous **account* on the London Stock Exchange were formerly settled. Since the account system was abandoned in 1996, transactions have to be settled within a few days.

accounting concepts The basic theoretical ideas devised to support the activity of accounting. As accounting developed largely from a practical base, it has been argued that it lacks a theoretical framework. Accountants have therefore tried to develop such a framework; although various concepts have been suggested, few have found universal agreement. However, four are deemed to be important (see STATEMENT OF STANDARD ACCOUNTING PRACTICE): the first, the **on-going concern concept**, assumes that the business is a going concern until there is evidence to the contrary, so that assets are not stated at their break-up value; the second, the ***accruals concept**, involves recording income and expenses as they accrue, as distinct from when they are received or paid; the third, the **consistency concept**, demands that accounts be prepared on a consistent basis from one period to another; and the fourth, the **prudence concept**, calls for accounts to be prepared on a conservative basis, not taking credit for profits or income before they are realized but making provision for losses when they are foreseen. Other accounting concepts might be **depreciation* and **deferred taxation*, which are concepts relating to accounting, but which are not often considered when reference is made to accounting concepts.

accounting package See BUSINESS SOFTWARE PACKAGE.

accounting period **1.** The period for which a business prepares its accounts. Internally, **management accounts* may be produced monthly or quarterly. Externally, **financial accounts* are produced for a period of 12 months, although this may vary when a business is set up or ceases or if it changes its accounting year end. **2. (chargeable account period)** A period in respect of which a **corporation tax assessment* is raised. It cannot be more than 12 months in length. An accounting period starts when a company begins to trade or

immediately after a previous accounting period ends. An accounting period ends at the earliest of:

- 12 months after the start date,
- at the end of the company's period of account,
- the start of a winding-up,
- on ceasing to be UK resident.

accounting rate of return (ARR) An accounting ratio that expresses the profit of an organization before interest and taxation, usually for a year, as a percentage of the capital employed at the end of the period. Variants of the measure include using profit after interest and taxation, equity capital employed, and the average of opening and closing capital employed for the period.

Accounting Standards Board (ASB) The recognized body for setting accounting standards in the UK. It was established in 1990 to replace the Accounting Standards Committee (ASC) following the recommendations contained in the Dearing Report. Under the Companies Act 1985, companies (except *small companies and *medium-sized companies) must state whether their accounts have been prepared in accordance with the relevant accounting standards and give details and reasons for any material departures from those standards. The ASB issues Financial Reporting Exposure Drafts (FREDs), Financial Reporting Standards (FRS), and through its offshoot, the Urgent Issues Task Force, reports known as Abstracts. The ASB is a subsidiary of the Financial Reporting Council.

account payee only Words printed between two vertical lines in the centre of a UK cheque that, in accordance with the Cheque Act 1992, make the cheque non-transferable. This is to avoid cheques being endorsed and paid into an account other than that of the payee, although it should be noted that banks may argue in some circumstances that they acted in good faith and without negligence if an endorsed cheque is honoured by the bank. In spite of this most cheques are now overprinted 'account payee only', and the words 'not negotiable' are sometimes added.

accounts 1. The *profit and loss account and the *balance sheet of a company.
2. See ACCOUNT.

accounts payable (trade creditors) The amounts owed by a business to suppliers (e.g. for raw materials). Accounts payable are classed as *current liabilities on the balance sheet, but distinguished from *accruals and other non-trade creditors (such as the Inland Revenue).

accounts receivable (trade debtors) The amounts owing to a business from customers for invoiced amounts. Accounts receivable are classed as *current assets on the balance sheet, but distinguished from prepayments and other non-trade debtors. A provision for bad debts is often shown against the accounts receivable balance in line with the *prudence concept. This provision is based on the company's past history of bad debts and its current expectations. A general provision is often based on a percentage of the total credit sales, for example 2% of credit sales made during the period.

accrual (accrued charge) An amount incurred as a charge in a given accounting period but not paid by the end of that period, e.g. the last quarter's electricity charge. See ACCRUALS CONCEPT.

accruals concept One of the four fundamental concepts contained in Statement of Standard Accounting Practice 2, 'Disclosure of Accounting Policies'.

and one of the principles in the Companies Act 1985. It requires that revenue and costs are recognized as they are earned or incurred, not as money is received or paid. Income and expenses should be matched with one another, as far as their relationship can be established or justifiably assumed, and dealt with in the *profit and loss account of the period to which they relate. However, if there is a conflict between the accruals concept and the *prudence concept, the latter prevails. *Accruals and prepayments are examples of the application of the accruals concept in practice. For example, if a rates bill for both a current and future period is paid, that part relating to the future period is carried forward as a current asset (a prepayment) until it can be matched to the future periods.

accrued benefits Benefits due under a pension scheme in respect of service up to a given time, irrespective of whether the rights to the benefits are vested or not. Accrued benefits may be calculated in relation to current earnings of protected final earnings. *Statement of Standard Accounting Practice 24, 'Accounting for Pension Costs', contains mandatory regulations on accounting for pension costs in financial accounts.

accrued income scheme An arrangement that applies in the UK when the owner of interest-bearing securities disposes of them. The interest accrued between the date of the last interest payment and the date of disposal is regarded, for tax purposes, as the income of the transferor. The transferee is able to deduct this sum from taxable income. The scheme does not apply to non-residents or if the transfer is part of a trade. Exemption also applies to individuals (husband and wife being regarded as one) if the total nominal value of the securities held does not exceed £5000.

accumulated depreciation (aggregate depreciation) The total amount of the *depreciation written off the cost price or valuation of a *capital asset since it was brought into the balance sheet of an organization.

accumulated dividend A dividend that has not been paid to a holder of *cumulative preference shares and is carried forward (i.e. accumulated) to the next accounting period. It represents a liability to the company. The Companies Act requires that where any fixed cumulative dividends on a company's shares are in arrears, both the amount of the arrears and the period(s) in arrears must be disclosed for each class of shares.

accumulated profits The amount showing in the *appropriation of profits account that can be carried forward to the next year's accounts, i.e. after paying dividends, taxes, and putting some to reserve.

accumulating shares Ordinary shares issued to holders of ordinary shares in a company, instead of a dividend. Accumulating shares are a way of replacing annual income with capital growth; they avoid income tax but not capital gains tax. Usually tax is deducted by the company from the declared dividend, in the usual way, and the net dividend is then used to buy additional ordinary shares for the shareholder.

accumulation trust See DISCRETIONARY TRUST.

accumulation unit A unit in an *investment trust in which dividends are ploughed back into the trust, after deducting income tax, enabling the value of the unit to increase. It is usually linked to a life-assurance policy.

acid-test ratio See LIQUID RATIO.

ACII Abbreviation for Associate of the *Chartered Insurance Institute.

acquisition accounting The accounting procedures followed when one company is taken over by another. The fair value of the purchase consideration should, for the purpose of consolidated financial statements, be allocated between the underlying net tangible and intangible assets, other than goodwill, on the basis of the fair value to the acquiring company. Any difference between the fair value of the consideration and the aggregate of the fair values of the separable net assets (including identifiable intangibles, such as patents, licences, and trademarks) will represent goodwill. The results of the acquired company should be brought into the consolidated *profit and loss account from the date of acquisition only.

In certain circumstances *merger accounting may be used when accounting for a business combination. Acquisition accounting differs from merger accounting in that shares issued as purchase consideration are valued at their market price, not par value (see SHARE PREMIUM ACCOUNT), a goodwill figure may arise on consolidation, and pre-acquisition profits are not distributable. Merger accounting treats both parties as if they had always been combined, and values the purchase consideration at par.

Acquisition accounting and merger accounting were covered by Statement of Standard Accounting Practice 23, 'Accounting for Acquisitions and Mergers', until September 1994, when the Accounting Standards Board issued Financial Reporting Standard 6, 'Acquisitions and Mergers', and Financial Reporting Standard 7, 'Fair Values in Acquisition Accounting', which replaced SSAP 23.

ACT 1. Abbreviation for *advance corporation tax. **2.** Abbreviation for *Association of Corporate Treasurers.

active partner A partner who has contributed to the business capital of a partnership and who participates in its management. All partners are deemed to be active partners unless otherwise agreed. Compare SLEEPING PARTNER.

active stocks The stocks and shares that have been actively traded, as recorded in the Official List of the London Stock Exchange.

actuals (physicals) Commodities that can be purchased and used, rather than goods traded on a *futures contract, which are represented by documents (although the documents give a right to physical possession of the goods, futures contracts are often cancelled out by offsetting a purchase against a sale). See also SPOT GOODS.

actuarial surplus The surplus that arises as a result of *overfunding.

actuary A person trained in the mathematics of statistics and probability theory. Some are employed by insurance companies to calculate probable lengths of life and advise insurers on the amounts that should be put aside to pay claims and the amount of premium to be charged for each type of risk. Actuaries also advise on the administration of pension funds; the *government actuary is responsible for advising the government on National Insurance and other state pension schemes. See also INSTITUTE OF ACTUARIES.

adaptive exponential smoothing A quantitative forecasting method in which averages derived from historical data are smoothed by a coefficient, which is allowed to fluctuate with time in relation to changes in demand pattern. The larger the coefficient, the greater the smoothing effect.

additional paid-in capital In the USA, the excess received from stockholders over the *par value of the stock issued.

additional personal allowance An income-tax allowance available, in

addition to the personal allowance, to a single person who has a qualifying child living with him or her, or to a married man with such a child and a totally incapacitated wife. A qualifying child is either under the age of 16 at the beginning of the income-tax year, or if over that age is undergoing full-time education. The allowance ceases in the income-tax year following the child's 18th birthday. See also PERSONAL ALLOWANCES.

additional rate tax A tax payable by the trustees of *discretionary trusts in the UK on income arising in any *tax year which is either accumulated by them or payable at their discretion.

adjudication 1. The judgment or decision of a court, especially in bankruptcy proceedings. 2. An assessment by the Commissioners of Inland Revenue of the amount of stamp duty due on a document. A document sent for adjudication will either be stamped as having no duty to pay or the taxpayer will be advised how much is due. An appeal may be made to the High Court if the taxpayer disagrees with the adjudication.

adjustable peg See CRAWLING PEG.

adjustable-rate mortgage (ARM) A *mortgage in which the interest rate is adjusted at periodic intervals, usually to reflect the prevailing rate of interest in the *money markets. Borrowers are often protected by a *cap, or ceiling, above which the interest rate is not allowed to rise. Such a cap may be reviewed annually or may cover the whole term of the mortgage. Such variable-rate mortgages usually start with a lower rate than a *fixed-rate mortgage in order to attract borrowers. In the USA this low initial rate is often known as a **teaser rate**.

adjustable-rate preferred stock (ARP) Stock or cumulative preference shares in the USA whose dividends are linked to Treasury Bill interest rates. Minimum and maximum rates are specified by the application of a *collar.

Convertible adjusted-rate preferred stock can be converted to common stock at a fixed price at specified dates.

adjustment credit An advance made by a US Federal Bank to smaller banks to satisfy short-term lending needs. The loans may be made for as short a term as 15 days. Adjustment credits are most often used when interest rates are high and money supply is short.

administration order 1. An order made in a county court for the administration of the estate of a judgment debtor (see JUDGMENT CREDITOR). The order normally requires the debtor to pay the debts by instalments; so long as this is done, the creditors referred to in the order cannot enforce their individual claims by other methods without the leave of the court. Administration orders are issued when the debtor has multiple debts but it is thought that *bankruptcy can be avoided. 2. An order of the court under the Insolvency Act 1986 made in relation to a company in financial difficulties with a view to securing its survival as a going concern or, failing that, to achieving a more favourable realization of its assets than would be possible on a *liquidation. While the order is in force, the affairs of the company are managed by an **administrator**.

administrative receiver A *receiver appointed by the holder of a *floating charge covering the whole, or substantially all, of a company's assets in order to recover money due to a secured creditor. The administrative receiver has the

power to sell the assets that are secured by the charge or to carry on the company's business.

administrator 1. Any person appointed by the courts, or by private arrangement, to manage the property of another. 2. Any person appointed by the courts to take charge of the affairs of a deceased person, who died without making a will. This includes collection of assets, payment of debts, and distribution of the surplus to those persons entitled to inherit, according to the laws of *intestacy. The administrator must be in possession of *letters of administration as proof of the authority vested by the courts.

ADR Abbreviation for *American depositary receipt.

ad valorem (Latin: according to value) Denoting a tax or commission that is calculated as a percentage of the total invoice value of goods rather than the number of items. For example, *value added tax is an ad valorem tax, calculated by adding a fixed percentage to an invoice value.

advance corporation tax (ACT) An advance payment of *corporation tax. It is paid when a company makes a *qualifying distribution. For the financial year 1 April 1996 to 31 March 1997 ACT is calculated at a rate of 20/80 dividend paid. The ACT is due for payment 14 days after the return period in which the dividend is paid. ACT paid in an *accounting period can be set against the grcss corporation tax due for the period, up to the maximum set-off of 20% of *:total profits.

advance/decline ratio The ratio of the number of companies whose share prices have risen to the number whose prices have fallen on a stock exchange over a given period, often a single day. A fall in the ratio can be interpreted as an impending overall fall in prices.

adventure A commercial undertaking of a speculative nature, often associated with overseas trading.

adverse balance A deficit on an account, especially a *balance of payments account.

adverse opinion An opinion expressed by an *auditor in an *auditors' report to the effect that the financial statements do not give a true and fair view of the organization's activities. This situation usually arises if there is a disagreement between the auditor and the directors, and the auditor considers the effect of the disagreement is so material or pervasive that the financial statements are seriously misleading. Audit reports are covered by the Auditing Practices Board's Statement of Auditing Standard 600, 'Auditors' Reports on Financial Statements'.

advice of acceptance An acknowledgment from a *collecting bank to the bank from which the collection was received, detailing the funds transferred, confirming that the collection has been made, and giving details of charges, deductions, etc.

advise fate A request by a collecting bank wishing to know, as soon as possible, whether a cheque will be paid on its receipt by the paying bank. The cheque is sent direct and not through the Bankers' Clearing House, asking that its fate should be advised immediately.

advising bank A bank in an exporter's own country that informs the exporter that a *letter of credit has been opened with a foreign bank.

AFBD Abbreviation for *Association of Futures Brokers and Dealers Ltd.

Affärsvärlden General Index An index of security prices on the *Stockholm Stock Exchange.

affinity card A *credit card issued to an affinity group (such as the members of a club, college, etc.) in the USA. In the UK, an affinity card is linked to a particular charity; the credit-card company pledges to make a donation to a specified charity for each card issued and may also donate a small proportion of the money spent by card users. In the UK, affinity cards are sometimes called **charity cards**.

afghani (AF) The standard monetary unit of Afghanistan, divided into 100 puls.

afloat Denoting goods, especially commodities, that are on a ship from their port of *origin to a specified port of destination; for example, "afloat Rotterdam" means the goods are on their way to Rotterdam. The price of such goods will usually be between the price of spot goods and goods for immediate shipment from origin.

after date The words used in a *bill of exchange to indicate that the period of the bill should commence from the date inserted on the bill, e.g. '... 30 days after date, we promise to pay ...'. Compare AFTER SIGHT; AT SIGHT.

after-hours deals Transactions made on the London Stock Exchange after its official close at the end of its mandatory quote period. These deals are recorded as part of the next day's trading and referred to as early bargains. The mandatory quote period on the London Stock Exchange for the *Stock Exchange Automated Quotations System (SEAQ) is 8.30 am to 4.30 pm, and on SEAQ International, 9.30 am to 4.00 pm.

after sight The words used in a *bill of exchange to indicate that the period of the bill should commence from the date on which the drawee is presented with it for acceptance, i.e. has sight of it. Compare AFTER DATE; AT SIGHT.

AG Abbreviation for *Aktiengesellschaft. It appears after the name of a German, Austrian, or Swiss company, being equivalent to the British abbreviation plc (i.e. denoting a public limited company). Compare GMBH.

agency **1.** A relationship between two parties; one, the principal, on whose behalf some action with a third party is being taken by the other, the **agent**. An agency agreement might exist, for example, when one person gives a power of attorney to another to negotiate a contract on his or her behalf, or when a bank purchases securities for a customer. **2.** (or **agent**) An organization or individual that provides such an agency service. **3.** Securities issued in the USA by non-Treasury Department sources, such as the National Mortgage Association. **4.** One bank that acts as the organizer for a group of banks lending money to a corporation.

agency agreement An agreement between a customer and a bank allowing the customer to bank cheques at a branch of that bank, usually for logistical reasons. The cheques thus enter the clearing system, although the customer does not have an account with that bank. A charge is made by the bank for this service.

agency bill See INLAND BILL.

agency fee (facility fee) An annual fee paid to an agent for the work and responsibility involved in managing a loan after it has been signed.

agency loan A loan available for local-government authorities, public organizations, etc., from the *European Investment Bank.

agent See AGENCY.

agent de change A stockbroker on the Paris Bourse (see BOURSE).

age relief An additional *personal allowance set against income for income-tax purposes in the UK for both single people and married couples over 65. At the age of 75 both the personal allowance and the married couple's allowance are increased.

agio 1. The fee charged by a bank or other financial institution for changing one form of money into another, e.g. coins to notes, or one currency to another. 2. The difference between a bank's interest rate for borrowing money and the rate at which it is prepared to lend it, also known as the **turn** or **spread**.

agora (plural **agorot**) A monetary unit of Israel, worth one hundredth of a *sheqel.

agreed bid A *takeover bid that is supported by a majority of the shareholders of the target company, whereas a **hostile bid** is not welcomed by the majority of the shareholders of the target company.

agreed-value policy An insurance policy in which the sum to be paid out under any claim is set out in the policy agreement.

Agricultural Bank (Land Bank) A credit bank specifically established to assist agricultural development, particularly by granting loans for longer periods than is usual with commercial banks.

Agricultural Credit Corporation Ltd (ACC) A corporation established in 1964 to extend the availability of medium-term bank credit for buildings, equipment, livestock, and working capital to farmers, growers, and cooperatives. The ACC offers a guarantee to the farmer's bank for such loans and promises to repay the bank should the farmer fail to do so. In return for this service the farmer pays a percentage charge to the ACC.

Agricultural Mortgage Corporation Ltd (AMC) A corporation established to grant loans to farmers against mortgages on their land by the Agricultural Credits Act 1928. The AMC offers loans for periods of 5 to 30 years. The capital of the corporation is supplied by the Bank of England, the joint-stock banks, and by the issue of state-guaranteed debentures. The corporation's loans are irrevocable except in cases of default and are usually made through the local branches of the commercial banking system.

AIBD Abbreviation for Association of the International Bond Dealers. See INTERNATIONAL SECURITIES MARKET ASSOCIATION.

aids to trade The formal study of commerce recognizes four aids to trade: advertising, banking, insurance, and transport.

aid trade provision (ATP) A major component of the British aid programme, which seeks to combine aid to developing countries with creating business for UK companies. Subsidized loans and credits are offered to developing countries on condition that goods and services are purchased from UK-based enterprises.

AIM 1. Abbreviation for *Alternative Investment Market. 2. Abbreviation for *Amsterdam International Market.

Aktb Abbreviation for *Aktiebolaget*. It appears after the name of a Swedish joint-stock company.

Aktiengesellschaft A German, Austrian, or Swiss public limited company. See AG.

allfinanz See BANCASSURANCE.

allonge An attachment to a *bill of exchange to provide space for further endorsements when the back of the bill itself has been fully used. With the decline in the use of bills of exchange it is now rarely needed.

All-Ordinaries share index The most widely quoted index of Australian shares; it is a capitalization-weighted arithmetic average of 245 ordinary shares quoted on the *Australian Stock Exchange. The index encompasses two others, which are sometimes quoted independently: the All-Mining index (accounting for 17.6% of the All-Ordinaries) and the All-Resources (34.1%).

allotment A method of distributing previously unissued shares in a limited company in exchange for a contribution of capital. An application for such shares will often be made after the issue of a *prospectus on the *flotation of a public company or on the privatization of a state-owned industry. The company accepts the application by dispatching a **letter of allotment** to the applicant stating how many shares have been allotted; the applicant then has an unconditional right to be entered in the *register of members in respect of those shares. If the number of shares applied for exceeds the number available (oversubscription), allotment is made by a random draw or by a proportional allocation. An applicant allotted fewer shares than applied for is sent a cheque for the unallotted balance (an application must be accompanied by a cheque for the full value of the shares applied for). See also MULTIPLE APPLICATION.

allotted shares Shares distributed by *allotment to new shareholders (allotees). The shares form part of the **allotted share capital**. See also SHARE CAPITAL.

ALM Abbreviation for *Association of Lloyd's Members.

alpha coefficient A measure of the expected return on a share compared to the expected return on shares with a similar volatility or *beta coefficient. The term is used in *portfolio theory. See also CAPITAL ASSET PRICING MODEL.

alpha stocks The most actively traded securities in the *Stock Exchange Automated Quotations System (SEAQ); it was a measure of market liquidity used by the *London Stock Exchange from October 1986 until January 1991, when the system was replaced by the *Normal Market Size (NMS) measure of dealings in a company's shares. The system divided the approximately 4000 securities quoted into four categories, alpha, beta, gamma, and delta, according to the frequency with which they were traded. The classification defined the degree of commitment to trading that had to be provided by market makers.

alteration of share capital An increase, reduction, or any other change in the authorized capital of a company (see SHARE CAPITAL). If permitted by the *articles of association, a limited company can increase its authorized capital as appropriate. It can also rearrange its existing authorized capital (e.g. by consolidating 100 shares of £1 into 25 shares of £4 or by subdividing 100 shares of £1 into 200 of 50p) and cancel unissued shares. These are reserved powers, passed - unless the articles of association provide otherwise - by an ordinary resolution.

alternate director A person who can act temporarily in place of a named director of a company in his or her absence. An alternate director can only be present at a meeting of the board of directors if the *articles of association provide for this eventuality and if the other directors agree that the person chosen is acceptable to undertake this role.

alternative investment 1. Anything purchased for the pleasure of owning it

as well as the likelihood that it will increase in value. 2. See ALTERNATIVE INVESTMENT MARKET.

Alternative Investment Market (AIM) A market of the *London Stock Exchange that opened in June 1995 to replace the Unlisted Securities Market, with the object of allowing small growing companies to raise capital and have their shares traded in a market, without the expense of a full market listing. Since its formation over 160 smaller companies have traded their shares on this market and the number of institutions investing in the market is increasing. (See also STOCK EXCHANGE ALTERNATIVE TRADING SERVICE.) Similar markets are planned elsewhere in Europe.

amalgamation The combination of two or more companies. The combination may be effected by one company acquiring others, by the merging of two or more companies, or by existing companies being dissolved and a new company formed to take over the combined business. Financial Reporting Standard 6, 'Acquisitions and Mergers', regulates the accounting of business combinations. See also ACQUISITION ACCOUNTING; MERGER ACCOUNTING.

American depositary receipt (ADR) A receipt issued by a US bank to a member of the US public who has bought shares in a foreign country. The certificates are denominated in US dollars and can be traded as a security in US markets. The advantages of ADRs are the reduction in administration costs and the avoidance of stamp duty on each transaction.

American option See OPTION.

American Stock Exchange (AMEX) A stock exchange in New York, on which second-tier securities are traded. It originated as an open-air market in which brokers carried out kerbstone dealings in Wall Street. The market moved indoors in 1921, when it became the market for stocks and bonds of companies whose small size did not qualify them for membership of the main *New York Stock Exchange. Listing requirements on AMEX are less stringent than on the NYSE. AMEX pioneered touch-screen technology and, in linking with the Toronto Stock Exchange in 1985, established the first international link between primary equity markets. AMEX has developed a market in options and futures.

AMEX Abbreviation for *American Stock Exchange.

amortization 1. The process of treating as an expense the annual amount deemed to waste away from a fixed asset. The concept is particularly applied to leases, which are acquired for a given sum for a specified term at the end of which the lease will have no value. It is customary to divide the cost of the lease by the number of years of its term and treat the result as an annual charge against profit. While this method does not necessarily reflect the value of the lease at any given time, it is an equitable way of allocating the original cost between periods. Compare DEPRECIATION.

Goodwill may also be amortized. *Statement of Standard Accounting Practice 22 recommends as its preferred method the writing-off in the year of purchase of all purchased goodwill. The charge should be to the reserves and not to the *profit and loss account. However the standard also permits the writing-off of goodwill to the profit and loss account in regular instalments over the period of its economic life. Home-grown goodwill, if it is in the balance sheet at all, should be similarly dealt with by one of the two methods above.

2. The repayment of debt by a borrower in a series of instalments over a period. Each payment includes interest and part repayment of the capital.

3. The spreading of the *front-end fee charged on taking out a loan over the life