Account
A record of transactions. Record of goods and services owed to one person by another.

Agent
An intermediary. A person hired to carry out transactions on behalf of another person.

Aggregate Demand
Total demand in an economy, consisting of government spending, private/consumer and business expenditures (investment).

All or None
Refers to requests for a broker to fill an order completely at a predetermined price or not at all. Refers to both buy and sell orders.

American Option
An option that can be exercised anytime during its life. The majority of exchange-traded options are American. The term has nothing to do with geography.

Anonymous trading
Visible bids and offers on the market without the identity of the bidder and seller being revealed*.* Anonymous trades allow the high profile investors to execute transactions without the scrutiny and speculation of the market.

Appreciation
A currency is said to 'appreciate ' when it strengthens in price in response to market demand

Arbitrage
When a price differential arises, creating an opportunity to profit through buying and selling. Arbitrage is a "riskless" opportunity to profit, as there is no uncertainty involved. In regards to the foreign exchange market, arbitrage arises when a profit can be made through differentials in exchange rates. Arbitrage opportunities in the foreign exchange market are very rare.

Asian Option
An option whose payoff depends on the average price of the underlying asset over a certain period of time. These type of option contracts are attractive because they tend to cost less than regular American options

Ask Rate
The lowest price that shares will be offered for sale, such as the bid/ask spread in the foreign exchange market.

Ask Size
The number of shares a seller is willing to sell at his/her ask rate.

Asset Allocation
The diversification of one's assets into different sectors, such as real estate, stocks, bonds, and forex, to optimize growth potential and minimize risk.

Asset Swap
Similar in structure to a plain vanilla swap, the key difference is the underlying of the swap contract. Rather than regular fixed and floating loan interest rates being swapped, fixed and floating investments are being exchanged. In a plain vanilla swap, a fixed libor is swapped for a floating libor. In an asset swap, a fixed investment such as a bond with guaranteed coupon payments is being swapped for a floating investment such as an index

Attorney in Fact
A person given the right or authority to act on behalf of another to carryout business transactions and implement documents. One holding power of attorney.

Authorized Dealer
A financial institution or bank authorized to deal in foreign exchange.

Automatic Exercise
A procedure implemented to protect an option holder where the Option Clearing Corporation will automatically exercise an "in the money" option for the holder. Think of it as an insurance policy for those who aren't as tuned in with the 3rd Friday of every month.

Away From the Market
When the bid on an order is lower (or the ask price is higher) than the current market price for the security.

Back Testing
The process of designing a trading strategy based on historical data. It is then applied to fresh data to see if and how well the strategy works. Most technical analysis is tested with this approach

Balance / Account Balance
The net value of an account. (the amount of money in an account).

Balance of Payments
A record of all transactions made by one particular country with others during a certain time period. It compares the amount of economic transactions between a country and all other countries. This includes trade balance, foreign investments, and investments by foreigners among other things.

Balance of Trade
The value of a country's exports minus its imports.

Bank for International Settlements
The BIS is an international organization fostering the cooperation of central banks and international financial institutions. Essentially, the BIS, located in Basel, Switzerland, is a central bank for central banks. It does not provide financial services to individuals or corporations.

Base Currency
In general terms, the base currency is the currency in which an investor or issuer maintains its book of accounts. In the FX markets, the US Dollar is normally considered the 'base' currency for quotes, meaning that quotes are expressed as a unit of $1 USD per the other currency

quoted in the pair. The primary exceptions to this rule are the British Pound, the Euro and the Australian Dollar.

Back Office
Refers to the administrative arm of financial service companies, who carry out and confirm financial transactions. Duties include, accounting, settlements, clearances, regulatory compliance and record maintenance.

Balance of Payments
Record of all transactions, such as trade balances and capital flows, carried out by a county with the rest of the world within a certain period.

Base Currency
The currency used in record keeping by an investor. The currency that other currencies are quoted against. When a currency is the base currency, quotes are expressed in units of this currency.

Basis
The difference between the spot and the futures price.

Basis Point
Measure of a bond's yield equal to 1/100th. A 1% change in yield is equal to 100 basis points and 0.01% is equal to one basis point.

Bear
Investor acting on the belief that prices or the market will decline.

Bear Market
Declining market prices coinciding with pessimistic market sentiment. A market in which prices are declining or are expected to decline.

Bid
The price an investor is willing to pay for an asset (currency, security, etc.).

Bid/Ask Spread
The difference between the bid and the ask price.

Big Figure
Refers to the first few numbers in an exchange rate quote, which change so infrequently that dealers often omit them in quotes.

Bonds
Tradable instruments sold to raise capital. Bondholders are loaning money (investing in debt) to companies and governments for a finite period of time, at the end of which they will be paid a specified interest rate. Bond prices are inversely related to interest rates, as interest rates rise, bond prices fall. Also, rates of returns on bonds increase along with risk, i.e. the higher the risk, the higher rate of return required. There are numerous types of bonds, including treasury bonds, notes, and bills; municipal bonds and corporate bonds.

Book
Recording of the total positions held by a trader or desk.

Bretton Woods Accord (1944)
This accord established a fixed exchange rate regime, whose aim was to

provide stability in the world economy after the Great Depression and the WWII. This accord fixed the exchange rates of major currencies to the US dollar and set the price of gold to $35. The accord required central bank intervention to maintain the fixed exchange rates. The US Central Bank was required to exchange dollars for gold, which eventually let to the demise of this system, when the demand for the dollar declined, as well as the gold reserves, forcing Nixon to stop the exchange of dollars for gold, effectively ending the system in 1971.

Broker
Individual or firm acting as an intermediary to bring together buyers and sellers typically for a commission or fee. A firm acting as an agent. Also, a firm or individual who carries out orders (buy/sell) on behalf of an investor, charging a fee or commission.

Bull
Investor who expects markets or prices to rise.

Bull Market
A market where prices are rising or are expected to rise. Markets usually characterized by optimistic sentiment.

Bundesbank
Germany's Central Bank.

Cable
Term used to describe the exchange rate between the US dollar and the British Pound.

Call
Term used to describe the period of time between the opening and closing of some future markets wherein the prices are established through an auction process.

Candlestick Chart
Chart depicting the daily high, low, opening and closing price, similar to that of a bar chart. If the close is lower than the open than the body of the candlestick is filled in, and if the open is lower than the close the body is left empty.

Capital Markets
Markets in which capital (stocks, bonds, etc.) are traded. Usually for medium or long term investing.

Carry Trade

Central Bank
A banking organization, usually independent of government, responsible for implementing a country's monetary policy and for printing money.

Chartist
Refers to a technical analyst or one who analyses charts/graphs and data (historical and such) to uncover potential trends.

Clearing
Refers to the settlements/confirmations of trades.

Close a Position (Position Squaring)
Refers to getting rid of a position, either by buying back a short position or selling a long position.

Commission
A fee charged by broker or agent for carrying out transactions/orders.

Confirmation
A written document verifying the completion of a trade/transaction to include such things as date, fees or commissions, settlement terms and the price.

Contagion
Term used to describe the spread of economic crises from one country's market to other countries within close geographic proximity. This term was first used following the Asian Financial Crisis in 1997, which began in Thailand and soon spread to other East Asian economies. It now is used to refer to the recent crisis in Argentina and its effects on other Latin American countries.

Contract (unit or lot)
The standard trading unit on certain exchanges. A lot in the forex market is $100,000.

Convertible Currency
Freely exchangeable currency. Currencies that can be exchanged for other currencies or gold.

Cost of Carry
When an investor borrows money to sustain a position. There is a cost for borrowing derived from the interest parity condition, which is used to determine the forward price.

Counterparty
A participant, either a person or an institution, involved in one side of a financial transaction. With such transaction there is an associated risk (counterparty risk) involved that the counterparty will not be able to meet the terms outlined in the contract. This risk is usually default risk.

Country Risk
The risk that a government might default on its financial commitments/contracts, which typically causes harms to other areas of the financial sector, as well as those in other countries.

Credit Checking
Before making a large financial transaction, it imperative to check whether the counterparty has enough available credit to carryout/honor the transaction. Credit checking refers to the process of verifying that counterparty has enough credit. The check is initiated after the price has been determined.

Credit Netting
Agreements that are made to avoid having to continually recheck credit, usually established between large banks and trading institutions.

Cross Rate
Refers to the exchange rate between two countries' currencies. Cross

rates usually refer to pairs quoted that do not include the domestic currency. For example, in the US, the EUR/JPY rate would be called a cross rate.

Currency
Notes and coins issued by the central bank or government, serving as legal tender for trade. Units of exchange.

Currency Binary
A currency trade that offers an all-or-nothing payoff based on a given currency exchange rate when the position reaches its expiration date. Binaries have a single payoff amount rather than the variable profit amounts found in traditional options.

Currency (Exchange Rate) Risk
Risk associated with drastic changes/fluctuations in exchange rates in which one could incur a major loss.

Day Trading
Refers to the process of entering and closing out trades within the same day or trading session. This requires a high degree of speculation, and most day traders lose money.

Dealer
One who places the order to buy or sell. A dealer differs from an agent in that it takes ownership of the asset, and thereby is exposed to some risk.

Deficit
Net sum of debts minus sum of credits on a balance of payments or trade. When expenditures exceed income/revenue.

Delivery
Term used to describe the exchange by both parties (buyer and seller) of the traded currency.

Deposit
Refers to the process of borrowing and lending money. The deposit rate is the rate at which money can be borrowed or lent.

Depreciation
The decline in the value of an asset. When a currency depreciates against another, the value of that currency declines.

Derivative
A security derived from another and whose value is dependent the underlying security from which it is derived. Examples of derivatives are future contracts, forward contracts and options. Underlying securities can include stocks, bonds or currencies. Derivatives can be traded. There are usually used to hedge portfolio risk.

Devaluation
When the value of a currency is lowered against the other, i.e. it takes

more units of the domestic currency to purchase a foreign currency. This differs from depreciation in that depreciation occurs through changes in demand in the foreign exchange market, whereas devaluation typically arises from government policy. A currency is usually devalued to improve the balance of trade, as exports become cheaper for the rest of the world and imports more expensive to domestic consumers.

Dirty Float (Managed Float)
An exchange rate system in which the currency is not pegged, but is "managed" by the central bank to prevent extreme fluctuations in the exchange rate. The exchange rate is managed through changes in the interest rate to attract/detract capital flows or through the buying and selling of the currency. This system is contrasted with a Pure Float in which there is no central bank intervention and the exchange rate is entirely determined by the market and speculation.

Digital Option
An option whose payout is fixed after the underlying stock exceeds the predetermined threshold or strike price.

Economic Indicator
An economic statistic used to indicate the overall health of an economy, such as GDP, unemployment rates, and trade balances. Used in fundamental analysis of foreign exchange markets to speculate against the direction of an exchange rate.

Efficient Markets
Markets where assets are traded in which the price is indicative of all current and relevant information and thus it is impossible to have undervalued assets. This idea (also known as the Efficient Markets Hypothesis) is still controversial.

End of the Day (Mark to Market)
Accounting measure, referring to the way traders record their positions. There are two ways that a trader can record his positions: the accrual system in which only cash flows are recorded and the mark to market method, in which the value of an asset is recorded at the end of each trading day at the closing rate or value.

Estimated Annual Income
The expected yearly earnings.

Euro
The new monetary unit of the European Monetary Union used by twelve countries in the European Union. It is now the legal tender of those countries as of January 2002. Those countries include Germany, France, Belgium, The Netherlands, Luxembourg, Spain, Portugal, Italy, Austria, Ireland, Finland and Greece.

European Central Bank
The central bank of the EMU, responsible for the monetary policy of all member countries.

European Monetary Union
An institution of the EU, whose primary goal is to establish a single currency (the euro) for the entire EU. As of now there are only 12

member countries that have joined the EMU: Germany, France, Benelux countries, Spain, Italy, Portugal, Austria, Ireland, Finland and Greece.

Economic Exposure
When the cash flow of a country is vulnerable to changes in the exchange rate.

Federal Deposit Insurance Corporation
A regulatory agency of the US created to oversee that bank deposits are insured against bank failures. It was created in 1933 to restore confidence in the banking system. It insures up to US $100,000 per banking institution.

Federal Reserve/Fed
The central bank of the United States, responsible for monetary policy.

Fixed Exchange Rate
When the exchange rate of a currency is not allowed to fluctuate against another, i.e. the exchange rate remains constant. Typically, under fixed exchange rate regimes, currencies are allowed to fluctuate within a small margin. Fixed exchange rate regimes require central bank intervention to maintain the fixed rate.

Fixed Interest Rate
An interest rate used for loans, mortgages and bonds that remain at the same rate throughout the period.

Flat/Square
To either have no positions or positions that cancel each other out.

Floating Rate Interest
An interest rate that is allowed to adjust with the market. The opposite of a fixed interest rate.

Foreign Exchange (Forex)
The buying and selling of currencies. When one currency is bought it implies another is sold.

Foreign Currency Effect
Refers to how changes in the exchange rate affect the return on foreign investment.

Forward Contract
A deal in which the price for the future delivery of a commodity is set in advance of the delivery. The Forward rate is obtained by adding the margin to the spot rate. It is used to hedge against adverse fluctuations in the exchange rate that can affect amount of profit or loss at that future date.

Forward Points
Refers to the pips that were added to or subtracted from the current exchange rate to obtain the forward price/rate.

Future Rate Agreements (FRAs)
FRAs are agreements that are made that allow for borrowing and lending at a constant interest rate for a specified period in the future.

Front Office
Refers to the sales personnel (trading and other business personnel) in a financial company. Those producing the revenue of the firm.

Fundamental Analysis
The analysis of economic indicators and political and current events that could effect the future direction of financial markets.

Futures (Financial Futures)
Future contracts that commit both sides to an exchange/transaction of financial instruments, currencies or commodities at a future date and a predetermined price. Future contracts are similar to forward contacts, but future contracts can be traded in the futures markets. Can be used to hedge or speculate against the value of the asset at the expiry date.

GTC (Good-till-Cancelled)
Refers to an order given by an investor to a dealer to buy or sell a security at a fixed price that is considered “good” until the investor cancels it.

Hedge/Hedging
Strategy to reduce the risk of adverse price movements on one’s portfolio and to protect against the volatility of the market. Hedging typically involves selling the good forward or taking a position in a related security. Hedging becomes more prevalent with increased uncertainty about current market conditions.

High/Low
Refers to the daily traded high and low price.

In the Money
For a call option, when the option's strike price is below the market price of the underlying asset. For a put option, when the strike price is above the market price of the underlying asset.

Inflation
Refers to the increase in prices (price level) and wages over time that decrease purchasing power. It is calculated from changes in the price index, usually a consumer price index or a GDP deflator.

Initial Margin
The percentage of the price of a security that is required for the initial deposit to enter into a position. The Federal Reserve Board requires a minimum of 50% initial margin. For futures contracts, the market determines the initial margin.

Interbank Rate
The rate at which the major banks (Deutsche, Citibank, Bank of Tokyo) trade in foreign exchange.

Interest Parity
Theory that says that the difference in interest rates across countries should be equal to the difference between the forward and spot rate.

Interest-Rate Swaps
The process of changing the form of debts held by banks or companies,

in which they trade debts/loans fixed rates for floating rates (or vice versa) in another country.

Interest-Rate Swap Points
The interest rate can be determined through the difference in the bid and offer price of an exchange rate. If you are looking at the EUR/USD exchange rate and the offer price is higher than the bid price, than Europe's interest rates are higher than US interest rates.

ISDA (International Swaps and Derivatives Association)
Organization defining the terms and conditions for trade in derivatives.

Leading Indicators
Such statistics as unemployment rates, CPI, Federal Funds Rate, retail sales, personal income, discount rate and the prime rate that are used to predict economic activity.

LIBO
Stands for the London Interbank Offer Rate, and is the rate at which major international banks lend to one another. It is widely used as the benchmark for short-term interest rates.

LIFFE
London International Financial Futures Exchange, made up of the three largest future exchanges in the UK.

Limit order
An order with restrictions on the maximum price to be paid or the minimum price to be received. As an example, if the current price of USD/YEN is 102.00/05, then a limit order to buy USD would be at a price below 102. (ie 101.50)

Liquid and Illiquid Markets
A liquid market is one in which changes in supply and demand have little impact on the asset's price. It is characterized by many bids, offers and players/traders, low volatility and tight spreads. Illiquid markets have less players and larger spreads.

Liquidation
The process of closing out long or short positions by offsetting transactions. Also refers to the process of selling all assets of a bankrupt company to pay off first creditors and then shareholders.

Liquid Assets
Those assets, usually short dated assets like Treasury Bills that can easily be turned into money.

Liquidity
The ability of a market to accept large transaction with minimal to no impact on price stability

Long (Position)
Refers to the ownership of securities, commodities or currencies, in which there is no intent to sell due to speculation that the price will rise.

Margin
A percentage of the total value of a transaction that a trader is required

to deposit as collateral. Buying on margin refers to investing with borrowed funds, and the margin requirement insures against heavy losses.

Margin Call
This is a call by a broker or dealer to raise the margin requirement of an account. The call is typically made after the value of a security (securities) has significantly declined in value.

Market Maker
A broker-dealer firm that owns shares of a security and is willing to buy and sell at the quoted bid and ask prices. The firm lists buy and sell prices to attract customers. If a customer wishes to buy, the firm will sell its own shares or will find shares for its customers. Also known as a price supplier.

Market Order
An order to buy or sell a stock at the best available price.

Market Risk
The risk associated with investing in the market and cannot be hedged or avoided.

Maturity
The date that the security is due to be redeemed. The day debt must be repaid.

Mine and Yours
Terms used to signal when a trader wants to buy (mine) and sell (yours).

Money Market
Highly liquid markets for short-term investing in monetary instruments and debts, typically maturing in less than one year. Because of large transaction cost relative to potential interest, transactions occur in large amounts and thus participants are mainly banks and other large financial institutions.

Net Worth
The difference between the values of assets and liabilities. When positive, assets exceed liabilities. For public companies this is referred to as shareholder equity.

Off-Balance Sheet
Financing or the raising of money by a company that does not appear on the company's balance sheet, such as Interest Rate Swaps and Forward Rate Agreements.

Offer
The price (or rate) at which a seller is willing to sell at.

Offsetting Transaction
When a trader enters an equivalent but opposite position to an already existing position, thereby balancing his positions. An offsetting transaction to an initial purchase would be a sale.

One Cancels Other Order (O.C.O. Order)
An order that through its execution cancels the other part of the same order.

Open/Open Position
An order that has yet to be executed and is still valid. An open position puts a trader at risk if the market prices rise or fall, i.e. the trader is vulnerable to movements in the exchange rate.

Open Order
An order to buy or sell that remains valid until it is executed or canceled by the customer. An order that is executed when the price of a share or currency reaches a predetermined price.

Options
These are tradable contracts giving the right, but not obligation, to buy or sell commodities, securities or currencies at a future date and at a prearranged price. Options are used to hedge against adverse price movements or to speculate against price rises or falls. Holding options is riskier than holding shares, but offer potentially higher returns.

Order
An instruction by a customer to a broker/trader to buy or sell at certain price or market price. The order remains valid until executed or cancelled by the customer.

Overnight
A position that remains open until the start of the next business day.

Over-the counter Market
A market not regulated by a stock exchange, such as the United States' NASDAQ. Over-the-counter refers to a stock not traded on an exchange, typically resulting from the company's inability to meet the requirements. Over-the-counter security transactions are made directly between brokers.

Pegging
When a country fixes the exchange rate to another country's currency, usually to achieve price stability. Most countries that peg their currencies do so against the US dollar or the Euro.

Pip (Points)
The smallest amount an exchange rate can move, typically .0001.

Political Business Cycle
A theory that explains changes in the economy as a result of political tactics before and after elections. To gain voter support politicians will often expand the economy prior to elections and implement reforms just after the elections to avoid punishment by the polity.

Political Risk
Risk that changes in government policies will negatively impact an investor. Political Risk is especially prevalent in third world countries.

Position
The amount of currency or security owned or owed by an investor.

Premium
The amount added to the spot price of a currency to get the forward or future price.

Price Transparency
Refers to the degree of access to information regarding bids and offers and respective prices. Ideally, every investor/trader would have equal access to all information.

Put
An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying asset at a set price within a specified time. The buyer of a put option estimates that the underlying asset will drop below the exercise price before the expiration date.

Quote
The offer price of a security. Shows either the highest bid or lowest ask or both for a given security.

Rate
The price of one currency in terms of another (exchange rate).

Realized and Unrealized Profit
Unrealized profit is a gain from an increase in the price of an asset that has not been cashed in. Realized profits are made from the cashing in of the unrealized gain.

Repurchase (REPO)
Repos are short-term money market instruments. The trader sells a security (government security) and buys it back only after a short period of time, typically only overnight. Repos are primarily used raise short-term capital.

Resistance
A price level at which most investors expect prices to decline further. A price at which there is sufficient supply to turn a previously uptrend downward. With regards to the forex market, it is the level at which a currency cannot rise above.

Revaluation
An increase in the exchange rate for a currency as a result of central bank intervention. Opposite of Devaluation

Revaluation Rates
The market rates that are used by traders in the evaluation of the gains and losses in their accounts each day.

Risks
Uncertainty in the possible outcomes of an action, i.e. possible returns on an investment. Risk is most commonly measured from the variance of possible outcomes. Higher risks are associated with higher rates of returns, typically in order to induce investment in riskier ventures.

Risk Capital
Capital which is invested with a recognized probability of loss (capital invested in high-risk securities).

Risk Management
Term to describe when a trader will use analysis and other trading techniques to avoid substantial risks to his portfolio.

Rollover
Refers to a process of reinvesting in which at the expiry the settlement is postponed until a later date. The cost of the process is measured by the interest rate differential between the two currencies.

Settlement
The actual finalization of a contract in which the goods, securities or currencies are paid for or delivered and the transaction is entered in the books.

Short
The selling of a borrowed security, commodity or currency. Traders sell when prices are expected to fall.

Short Position
A contract to sell securities, commodities or currencies at a future date and at a prearranged price. At the expiry date, if the spot price is below the contract price, the holder of the contract will make a profit and if the spot price is above the contract price, then there is the potential to make a huge loss. Short Positions are considered high-risk positions to hold.

Spot Market
A market in which commodities, securities or currencies are immediately delivered.

Spot Price
The current market price.

Spot Option
A type of option product that allows an investor to set not only the conditions that need to be met in order to receive a desired payout, but also the size of the payout he or she wishes to receive if the conditions are met. A type of option product that allows an investor to set not only the conditions that need to be met in order to receive a desired payout, but also the size of the payout he or she wishes to receive if the conditions are met.

Spread
The difference between the bid and offer price that is offered by a market maker. The price at which the firm is willing to sell is higher than the price it is willing to buy at. The size of the spread is affected by a number of factors including the demand for a stock, as well as how heavily traded the stock is. Also, the size of the spread can be an indicator of the liquidity of an asset.

Sterling
Refers to the UK currency, the Pound.

Stop Order (Stop-Loss Order)
An order used to hedge against excessive loss in which a position is liquidated at a specific, prearranged price.

Strike Price
The price at which a specific derivative contract can be exercised. Strike prices is mostly used to describe stock and index options, in which strike prices are fixed in the contract. For call options, the strike price is where the security can be bought (up to the expiration date), while for put options the strike price is the price at which shares can be sold.

Support
A price level at which investors feel that prices will rise. Also it is a level at which there is sufficient demand to turn a downtrend up. The level at which a currency does not have the ability to cross below.

Swap
When a trader exchanges one currency for another, holding it for only a short period. Swaps are typically used to speculate on interest rate movements. It is calculated using the interest differentials between the two currencies.

Swap Spread
The difference between the negotiated and fixed price of the swap. The size of the spread depends on market supply and participating parties' credit.

Technical Analysis
A technique used to try and predict future movements of a security, commodity or currency, based solely on past price movements and volume levels. It examines charts and historical performance.

Tick
A minimum price movement.

Ticker
Depicts current or recent history of a currency, usually in the form of a graph or chart.

Tomorrow Next (Tom/Next)
When a trade buys and sells a currency today for delivery tomorrow.

Transaction Costs
The costs that are incurred by a trader when buying or selling currencies, commodities, or currencies. These cost are such things as broker commissions or spreads.

Transaction Date
The date a trade occurs.

Turnover
The number or volume of shares traded over a specific time period. The larger the turnover, the more commissions a broker will be making.

Two Way Price
A price that includes both the bid and offer price. The NASD requires that market makers have both bid and ask prices for any security, currency or commodity in which they make a market. This is called a two-sided market.

Uptick
A price quote that is higher than the preceding quote for the same currency.

Uptick Rule
A regulation requiring that if a security is to be traded short, the price in the trade prior to the short trade has to be lower than the price of the present short trade.

U.S. Prime Rate
The interest rate that the major US banks lend to major clients.

Underlying
In derivatives, the security that must be delivered when a derivative contract, such as a put or call option, is exercised.

Value Date
The date that payment is exchanged between two parties.

Variation Margin
A call by a broker to increase the margin requirement of an account during a period of extreme market volatility.

Variance
Measures the volatility of a data set/data points from the mean. It is calculated by adding the squares of the standard deviations from the mean and dividing by the number of data points, i.e. taking the average of the standard deviations.

Volatility
Refers to the tendency of prices/variables to fluctuate over time. It is most commonly measured using the coefficient of variation (the standard deviation divided by the mean). The higher the volatility, the higher the risk involved.

Volume
The number of shares or contracts traded for a certain security or an exchange during a period.

Warrant
It is a right but not obligation to buy shares in a company at a future date and at a prearranged price. Warrants are tradable options.

Whipsaw
Term used to describe sharp price movements and reversals in the market. A whipsaw would be if shortly after you bought a stock the price plummeted.

Yard
Term for a billion.