The BIG LIST of definitions for the SIE EXAM from InsuranceTestHelp.com

#

12b-1 Fee: A mutual fund fee used to pay for marketing and distribution expenses. It is part of a fund's operating expenses and is disclosed in the prospectus.
1035 Exchange: A tax-free transfer of an annuity, life insurance, or endowment contract to another of like kind, under IRS Section 1035, allowing policyholders to switch without triggering a tax event.
401(k) Plan: A tax-deferred employer-sponsored retirement plan allowing employees to contribute part of their salary and often receive employer matching contributions.
403(b) Plan: A retirement plan for employees of public schools and certain nonprofits. Similar to a 401(k) but with different eligibility and investment rules.

A

ABLE Account: Tax-advantaged savings accounts for individuals with disabilities and their families.
Accredited Investor: An individual or entity meeting income/net worth thresholds allowing them to invest in unregistered securities (e.g., $200K income or $1M net worth excluding home).
Accumulation Units: Units of ownership in a variable annuity during the accumulation phase.
Acid Test Ratio: A stringent measure of liquidity; (Current Assets - Inventory) / Current Liabilities.
Active Management: A portfolio management strategy that involves ongoing buying and selling decisions by the manager in an attempt to outperform benchmarks.
Agent: A person who buys or sells securities on behalf of others, usually registered reps.
AIR (Assumed Interest Rate): A projection used in variable annuities to estimate future payments.
Affiliated Person: Anyone in a control or influence position over an investment company (e.g., officers, directors).
American Depository Receipt (ADR): A negotiable security representing shares in a foreign company traded on U.S. exchanges.
AML (Anti-Money Laundering) – Rules designed to detect and report suspicious financial activities.
American Style Option: Option that can be exercised any time before expiration.
Annuitant: The person who receives annuity payments.
Annuities: Insurance products providing income, typically for retirement. Types include fixed, variable, immediate, deferred.
Annuitization: The phase when the annuity converts into periodic payments.
Asset-Backed Security (ABS): A security backed by a pool of assets, such as loans, leases, credit card debt, royalties, or receivables.
Ask Price: The lowest price a seller is willing to accept for a security.
Authorized Stock: The maximum shares a corporation can legally issue as stated in its charter.

B

Backing Away: A prohibited practice where a market maker fails to honor a firm quote displayed publicly.

Balance Sheet: A financial statement showing a company's assets, liabilities, and equity at a specific point in time.
Balanced Fund: A mutual fund holding a mix of stocks, bonds, and cash for growth and income.
Bank Secrecy Act: Requires financial institutions to assist U.S. government agencies in detecting and preventing money laundering.
Banker's Acceptance (BA): A short-term debt instrument issued by a company and guaranteed by a bank.
Basis Point: 1/100th of 1%. Used to measure interest rate changes.
Bear Market: Market characterized by declining prices (typically 20% or more).
Beneficiary: The person designated to receive assets upon the owner's death.
Bid Price: The highest price a buyer is willing to pay for a security.
Bid-Ask Spread – The difference between the highest price a buyer is willing to pay and the lowest price a seller is willing to accept.
Blue Chip Stock: A stock from a well-established, financially sound company with a strong history.
Blue Sky Laws: State securities laws regulating the offering and sale of securities.
Bona-Fide Quote: A genuine offer to buy or sell a security, made in good faith, and not just to mislead or manipulate the market.
Bond: A fixed income instrument representing a loan made by an investor to a borrower.
Bond Rating: A grade given to bonds indicating credit quality (e.g., Moody's, S&P).
Book Entry: Electronic system for recording ownership of securities (no physical certificates).
Book Value: Net asset value of a company per share, calculated as assets minus liabilities.
Breakpoint: Discount on front-end sales charges for mutual fund purchases above certain dollar levels.
Breakpoint Selling: Unethical practice of discouraging investors from reaching breakpoints to gain higher sales commissions.
Broker-Dealer – A firm that buys/sells securities for its own account or for customers.
Bull Market – A market condition where prices are generally rising.
Business Risk: The risk that a company's operations or poor management may negatively affect its profitability and stock price.
Buyback (Share Repurchase): When a company buys back its own shares from the marketplace, often to increase earnings per share or support the stock price.
Buy Stop Order: An order to buy a stock once it hits a specified price above current market value.
C
CBOE (Chicago Board Options Exchange): Primary exchange for trading options in the U.S.
Call Option: A contract giving the buyer the right to buy an asset at a specified price before a certain date.
Callable Bond: A bond that can be redeemed by the issuer before its maturity date.
Capital Appreciation: Increase in the market price of a security or asset.
Capital Gain – Profit from the sale of an asset for more than its purchase price.
Capital Risk: Risk of losing all invested capital.
Cash Account – An account in which the investor must pay for all securities in full by settlement.

Chinese Wall: An internal information barrier within a firm to prevent the sharing of sensitive information between departments (e.g., investment banking and trading).
Churning – Excessive trading in a customer's account to generate commissions.
Class A Shares: Mutual fund shares with upfront sales charges (front-end load).
Class B Shares: Mutual fund shares with back-end load that decreases over time.
Class C Shares: Mutual fund shares with level loads (ongoing fees).
Closed-End Fund: Investment company with a fixed number of shares traded on an exchange.
CMO (Collateralized Mortgage Obligation): Mortgage-backed security that pools mortgages into tranches based on maturity and risk.
Commercial Paper: Short-term unsecured corporate debt.
Common Stock – Equity security that represents ownership in a corporation with voting rights and residual claims.
CPI (Consumer Price Index): A measure of inflation that tracks the changes in prices of a basket of consumer goods and services.
Convertible Bond: Bond that can be exchanged into a predetermined number of common stock shares.
Convertible Security: A security (usually preferred stock or bonds) that can be converted into common stock.
Coupon Rate: The interest rate paid by bond issuers on the bond's face value.
Coverdell ESA: Education savings account with tax-free growth for qualified education expenses.
Covered Call: Writing a call option while owning the underlying stock.
Covered Put: Writing a put option while holding a short position or enough collateral.
Credit Risk: The risk that a borrower (issuer of a bond) may default on interest or principal payments.
Cumulative Bond: A bond feature (mostly preferred stock) where missed dividend payments accumulate and must be paid before common shareholders receive dividends.
Cumulative Voting vs. Statutory Voting:
Cumulative Voting: Shareholders can cast all votes for a single board candidate. Favors minority shareholders.
Statutory Voting: Votes are distributed evenly among all candidates. Favors majority shareholders.
Currency Risk: The potential for loss due to fluctuations in exchange rates when investing in foreign securities.
CUSIP Number: Unique identifier assigned to all registered U.S. and Canadian securities.
Current Yield: Annual income (interest or dividends) divided by current market price.
Custodian: A financial institution that holds customers' securities for safekeeping.
Custodian Account: Account managed by a custodian for the benefit of a minor or another person.
Cyclical Stock: Stock that performs well in economic expansions and poorly in recessions.

D

DPP (Direct Participation Program): A business venture that passes income, gains, losses, and tax benefits directly to investors; includes LPs and real estate programs.
Day Order: An order to buy or sell a security that expires if not executed by the end of the trading day.
Debenture: An unsecured bond backed only by the issuer's credit.

Debt Security: A security representing borrowed money that must be repaid.
Declaration Date: The date a company's board announces an upcoming dividend.
Defensive Stock: Stock that tends to remain stable during economic downturns (e.g., utilities, consumer staples).
Deferred Annuity: An annuity contract that delays income payments until a future date.
Depreciation: The reduction in value of an asset over time, used for tax and accounting purposes.
Depression: A prolonged economic downturn with significant GDP decline and high unemployment.
Designated Market Maker (DMM): A NYSE member responsible for maintaining a fair and orderly market in assigned securities.
Derivative: A financial instrument whose value is based on another asset (e.g., options, futures).
Discretionary Account: An account where a broker has written authority to trade on the client's behalf.
Discount Bond: A bond sold below its par value.
Diversification: Spreading investments across different assets to reduce risk.
Dividend: A payment made by a corporation to its shareholders, usually as a distribution of profits.
Dollar Cost Averaging: Investing a fixed amount regularly regardless of market price to reduce average cost per share.
Do Not Call List: A registry that limits telemarketing calls; firms must check it before cold calling.
DRIP (Dividend Reinvestment Plan): A plan allowing shareholders to reinvest cash dividends into more shares of stock.
Dual Listing: A security listed on more than one exchange.

E

Earnings Per Share (EPS): A company's profit divided by its number of outstanding shares.
ECN (Electronic Communication Network): Automated system matching buy and sell orders for securities.
EMMA (Electronic Municipal Market Access): A platform for municipal securities disclosures and trade data.
Equity: Ownership interest in a corporation.
ERISA (Employee Retirement Income Security Act): Federal law governing private-sector retirement plans.
ETN (Exchange-Traded Note): Debt security linked to a market index, with no periodic interest payments.
ETF (Exchange-Traded Fund): A marketable security tracking an index, commodity, or basket of assets.
Ex-Dividend Date: The date on which a stock trades without the right to the declared dividend.
Exchange Privilege: The right to move money between mutual funds within the same family without a sales charge.
Exempt Security: A security that does not have to register with the SEC (e.g., U.S. gov't bonds, municipalities).
Execution: Completion of a buy or sell order.

F

Face Amount Certificate: A type of investment company issuing debt certificates at a discount, paying face value at maturity.
Face Value: The nominal value of a bond.

Family of Funds: A group of mutual funds offered by the same company that allows investors to switch between funds with reduced or waived sales charges.
FNMA (Fannie Mae): Federal National Mortgage Association; a government-sponsored enterprise that purchases mortgages and repackages them into mortgage-backed securities.
FDIC (Federal Deposit Insurance Corporation): Insures bank deposits up to $250,000 per depositor.
Federal Funds Rate (Fed Funds Rate): The interest rate at which banks lend excess reserves to each other overnight.
Federal Reserve (The Fed): The central banking system of the U.S., managing monetary policy.
Federal Reserve Board (FRB): Governs monetary policy, supervises banks, and maintains financial system stability.
FHLMC (Freddie Mac): Government-sponsored enterprise that buys mortgages and issues mortgage-backed securities.
Fidelity Bond: Insurance that protects a firm against employee fraud or dishonesty.
Fiduciary: An individual or institution legally responsible for managing assets in the best interest of another.
FIFO (First-In, First-Out): An accounting method for inventory/costs in which the oldest costs are used first.
Financial Exploitation of Seniors: FINRA rule protecting older adults from financial abuse.
FINCEN (Financial Crimes Enforcement Network): Agency that collects and analyzes information to combat money laundering.
FINRA (Financial Industry Regulatory Authority): SRO overseeing broker-dealers and registered reps.
Firm Element: Continuing education required annually by broker-dealers for their registered reps.
Fiscal Policy: Government policy on taxation and spending used to influence the economy.
Floor Broker: A member of an exchange who executes orders on the trading floor on behalf of clients.
Forward Pricing: Mutual fund shares are priced based on NAV calculated after the order is received.
Fraud: Intentional deception for personal or financial gain; prohibited in all securities transactions.
Front Running: Prohibited practice of placing a trade ahead of a client's large order to profit from the price movement.
Fundamental Analysis: Evaluating a company's financial health and prospects using data like earnings, assets, liabilities, and management performance.
G
General Obligation (GO) Bond: A municipal bond backed by the full faith and credit (taxing power) of the issuer.
Gift Tax: A federal tax on transfers of money or property to others without receiving something of equal value in return.
Global Fund: A mutual fund that invests in securities from both the U.S. and foreign countries.
GNMA (Ginnie Mae): Government National Mortgage Association; guarantees mortgage-backed securities backed by the full faith and credit of the U.S. government.
Gross Domestic Product (GDP): Total value of all goods and services produced within a country.
Growth Fund: A mutual fund focused on stocks expected to grow at an above-average rate.

Growth and Income Fund: A mutual fund combining strategies for both capital appreciation and dividend income.
GTC (Good 'Til Canceled) Order: A trade order that remains active until it is either executed or canceled by the investor.
Guaranteed Security: A security whose principal and/or interest payments are guaranteed by a third party.
Gross Domestic Product (GDP): The total market value of all final goods and services produced within a country in a specific time period.

H

Hedge: A strategy to reduce the risk of adverse price movements in an asset, often using derivatives.
Hedge Fund: A private investment fund using a range of strategies to earn active returns for investors, typically for accredited investors only.
Holding Period: The length of time an investment is held before being sold.
Housing Starts: An economic indicator tracking the number of new residential construction projects begun during a particular period.
Hypothecation: The pledging of securities as collateral for a loan without giving up ownership.

I

Immediate Annuity: An annuity that starts making periodic income payments shortly after a lump-sum premium is paid.
Income Fund: A mutual fund focused on providing current income through dividends or bond interest.
Income Statement: A financial statement showing revenue and expenses over a period to determine net income.
Index Annuity: A type of fixed annuity where returns are linked to a specific market index, such as the S&P 500.
Index Fund: A type of mutual fund designed to replicate the performance of a specific index.
Index Options: Options contracts where the underlying asset is a stock market index rather than an individual stock.
Individual Retirement Account (IRA): A tax-deferred retirement account for individuals with earned income.
Inflation – The general increase in prices and fall in the purchasing value of money.
Initial Public Offering (IPO): The first sale of stock by a company to the public.
Insider: An individual with access to nonpublic, material information about a company, or someone owning 10%+ of the company's securities.
Insider Trading: The illegal use of nonpublic material information to trade a security.
Institutional Investor: A large organization (e.g., mutual fund, pension fund) that invests substantial amounts in securities.
Instinet: An early electronic communication network (ECN) used by institutions to place trades anonymously.
Integration (AML): The final stage of money laundering where illegal funds are mixed with legitimate income, making the money appear legal.
Interest Rate – The cost of borrowing money, typically expressed as a percentage.

Interest Rate Risk: The risk that changes in interest rates will negatively affect the value of a bond or other fixed-income investment.
International Fund: A mutual fund that invests only in foreign securities (excluding U.S. securities).
Intrinsic Value (Options): The difference between the market price of the underlying asset and the strike price of the option, if favorable to the holder.
Investment Advisor: A person or firm who provides investment advice for a fee.
Investment Banker: A firm or person that helps issuers raise capital by underwriting or acting as the issuer's agent.
Investment Company: A corporation or trust engaged in investing pooled capital of investors in financial securities.
IRA Rollover: Moving funds from an employer-sponsored retirement plan into an IRA within 60 days, tax-deferred.
IRA (Roth): An after-tax retirement account where qualified withdrawals are tax-free.
Issuer – A legal entity that develops, registers, and sells securities to raise funds.
Issued Stock: Shares that have been authorized and actually sold or distributed to shareholders.
Issuing Stock: When a company sells new shares to investors for the first time or through secondary offerings.

J

Joint and Last Survivor Annuity: An annuity that pays out until both annuitants have died.
Joint Tenants with Right of Survivorship (JTWROS): A form of account ownership where assets pass automatically to the surviving owner(s) upon death.
Junk Bond: A bond rated below investment grade (below BBB or Baa), offering higher yields due to higher default risk.

K

Keogh Plan: A tax-deferred retirement plan for self-employed individuals and their employees.
Keynesian Economics: Economic theory suggesting government intervention is necessary to manage economic cycles through fiscal and monetary policy.
Know Your Customer (KYC) Rule: FINRA rule requiring firms to understand a client's financial situation, risk tolerance, and investment goals before making recommendations.

L

Lagging Indicator: Economic data that confirm trends after they occur (e.g., unemployment rate).
Last Trading Day (Options): Typically, the third Friday of the expiration month; last day an option may be traded.
Layering (AML): The stage of money laundering involving multiple transactions to obscure the original source of funds.
Leading Indicator: Economic data that tends to change before the overall economy does (e.g., new housing starts, stock prices).
Letter of Intent (LOI): A statement an investor signs indicating intent to invest enough over 13 months to qualify for a mutual fund breakpoint.

LGIP (Local Government Investment Pool): A state- or local-government-run investment pool allowing municipalities to invest public funds safely and efficiently.
LIBOR (London Interbank Offered Rate): A benchmark interest rate at which major global banks lend to one another; being phased out and replaced by SOFR.
LIFO (Last-In, First-Out): An inventory accounting method where the most recent inventory purchased is assumed to be sold first. Impacts taxable income and valuation
Limit Order: An order to buy or sell a security at a specific price or better.
Limit Price: The specified price in a limit order.
Limited Partnership (LP): A business structure with general and limited partners; common in DPPs.
Listed Option: An option traded on a regulated exchange with standardized terms.
Listed Stock: A stock listed on an exchange (e.g., NYSE or Nasdaq).
Liquidity – The ease with which an asset can be converted into cash without affecting its price.
Liquidity Risk: The risk an investment can't be quickly sold without a significant price concession.
Load Fund: A mutual fund with a sales charge or commission.
Long (Stock Position): Buying and owning a security in anticipation it will rise in value.
Long Call: Buying a call option — the right to buy the underlying stock at the strike price.
Long Put: Buying a put option — the right to sell the underlying stock at the strike price.
M
Maintenance Margin: The minimum amount of equity that must be maintained in a margin account.
M1: A narrow measure of the money supply, including physical currency and demand deposits.
Margin Account: A brokerage account allowing customers to borrow money to purchase securities.
Margin Agreement: Document signed by clients opening margin accounts; includes credit, hypothecation, and loan consent agreements.
Market Capitalization (Market Cap): The total value of a company's outstanding shares (Price × Shares Outstanding).
Market Maker: A firm or dealer that stands ready to buy/sell a specific security at quoted prices.
Market Order: An order to buy or sell immediately at the best available price.
Marking the Close: Manipulating a stock's closing price by executing trades at the end of the trading day to alter its appearance or value.
Marking the Open: Placing trades at or near the open of the trading day to influence the opening price of a security.
Markup: The difference between a dealer's purchase price and sale price to a customer.
Markdown: The amount a dealer reduces the sale price when buying from a customer.
Material Non-Public Information: Important information not yet disclosed to the public that could affect a security's price. Trading on this is illegal (insider trading).
Maturity Date: The date on which the principal of a bond is repaid to investors.
Maximum Sales Charge (Mutual Fund): Per FINRA, cannot exceed 8.5% of POP (Public Offering Price).
Member Firm: A brokerage firm that is a member of a self-regulatory organization (SRO), such as FINRA.

Monetary Policy: The Federal Reserve's actions to control money supply and interest rates to influence the economy.
Moody's: A credit rating agency providing ratings for bonds and other debt instruments.
Money Market Instruments: Short-term debt instruments (e.g., T-bills, commercial paper, BAs).
Money Supply: The total amount of money circulating in the economy (measured by M1, M2, etc.).
Mortgage-Backed Securities (MBS): Bonds secured by a pool of home or other real estate loans.
MSRB (Municipal Securities Rulemaking Board): SRO that creates rules for firms and individuals involved in the municipal securities market.
Municipal Bond: Debt security issued by states, cities, or other local governments.
Mutual Fund: An investment company that pools money from investors to buy a diversified portfolio of securities.
N
NASAA (North American Securities Administrators Association): A voluntary association of state and provincial securities regulators responsible for Series 63/65/66 rules and model laws.
NASDAQ: An electronic marketplace for buying and selling securities, known for tech and growth stocks.
National Securities Clearing Corporation (NSCC): Subsidiary of DTCC, handles trade clearance and settlement.
NAV (Net Asset Value): The per-share value of a mutual fund, calculated as (Assets - Liabilities) ÷ Shares Outstanding.
Naked Call/Put: Writing an option without owning the underlying security (high risk).
Named Fiduciary: A person or firm with the authority to control and manage an employee benefit plan.
Net Asset Value (NAV): Value per share of a mutual fund, calculated as total assets minus total liabilities divided by shares outstanding.
New Issue: A security being offered to the public for the first time.
No-Load Fund: A mutual fund that does not charge a sales fee.
Nominal Yield: The stated interest rate on a bond, not accounting for market price.
Non-Accredited Investor: An investor who does not meet SEC criteria for accredited status (e.g., income or net worth).
Non-Discretionary Account: An account where trades require the customer's explicit authorization.
Non-Qualified Plan: A retirement plan not meeting IRS requirements for favorable tax treatment (e.g., deferred comp).
Non-Systematic Risk: Company or industry-specific risk that can be reduced through diversification.
Normal Yield Curve: An upward-sloping curve where long-term yields are higher than short-term.
NYSE (New York Stock Exchange): The world's largest and oldest stock exchange, known for blue-chip stocks.
O
OCC (Options Clearing Corporation): The clearing agent for standardized options trades in the U.S.

OFAC (Office of Foreign Assets Control): U.S. Treasury agency that enforces economic and trade sanctions. Firms must screen clients against OFAC's SDN list.
Offering Circular: A disclosure document used in exempt offerings (e.g., Regulation A).
Official Statement: Disclosure document for a new municipal bond issue.
Open-End Fund (Mutual Fund): A fund that issues and redeems shares directly with investors at NAV.
Opening Order: A trade that establishes a new position (buy to open or sell to open).
Opening Sale: Selling a security or option to establish a new short position.
Option Holder: The buyer of an option who has the right to exercise the contract.
Option Writer: The seller of an option who receives the premium and has the obligation if exercised.
Options: Derivatives giving the right (but not obligation) to buy or sell a security at a specific price before a certain date.
Order of Liquidation: The order in which stakeholders are paid during bankruptcy (secured creditors → general creditors → preferred shareholders → common shareholders).
Outside Business Activities (OBA): Any business activity outside the rep's firm that must be disclosed to the firm.
Outstanding Stock: Issued shares currently held by investors (not including treasury stock).
Over-the-Counter (OTC): Trading of securities not listed on formal exchanges.

P

P/E Ratio (Price-to-Earnings): A valuation metric comparing share price to earnings per share.
Painting the Tape: A prohibited practice of making trades to create the illusion of high trading volume.
Par Value: Another term for face value.
Passive Income: Earnings from sources other than employment (e.g., dividends, rental income).
Passive Management: Investing based on a fixed strategy or index without active trading.
Patriot Act: Anti-terrorism law that includes financial provisions like CIP and AML rules.
Payment Date: The date a dividend or interest payment is made to shareholders.
Penny Stock: Low-priced, speculative securities not traded on major exchanges.
Pink Sheets: A listing service for over-the-counter stocks not required to file with the SEC.
Placement (AML): The first step in money laundering, introducing illicit funds into the financial system.
Political Risk: The risk of loss due to political instability or changes in government policy.
POP (Public Offering Price): The price at which mutual fund shares are sold to the public; includes sales charges.
Power of Attorney (POA): Legal authorization allowing someone to act on another's behalf.
Preferred Stock – Equity security with fixed dividends and priority over common stock in liquidation.
Preliminary Prospectus (Red Herring): A draft version of the prospectus used to solicit interest before the SEC declares it effective.
Premium Bond: A bond sold above its face (par) value.
Prepaid Tuition Plan: A type of 529 plan allowing prepayment of future tuition at current rates.
Prepayment Risk: The risk a bond is paid off earlier than expected, common in mortgage-backed securities.

Primary Market: The market where new securities are issued and sold for the first time.
Principal: The original amount invested or the face value of a bond.
Privacy Notice: Required disclosure to customers regarding the sharing of personal information.
Private Placement: Offering securities to a small group of investors without registering with the SEC.
Prohibited Practices: Includes churning, front running, backing away, guaranteeing returns, etc.
Prospectus: A legal document disclosing information about a new issue.
Proxy: A written authorization for someone to vote on a shareholder's behalf.
Proxy Voting: Voting rights given to someone else to vote shares at a corporate meeting.
Public Offering: A securities offering made to the public via registration with the SEC.
Pump and Dump: Illegal scheme to inflate a stock price with false information and then sell at a profit.
Purchasing Power Risk: The risk that inflation will erode the value of investment returns.
Put Option: A contract giving the holder the right to sell the underlying asset at a specific price.

Q

QIB (Qualified Institutional Buyer): An institution that owns and invests at least $100 million in securities on a discretionary basis; eligible for certain private placements under Rule 144A.
Qualified Plan: A retirement plan that meets IRS requirements for favorable tax treatment (e.g., 401(k), pension).
Qualified Higher Education Expenses: Costs such as tuition, books, and room & board that can be paid with 529 plans without tax penalty.
Quiet Period: Time after a company's IPO filing during which underwriters and insiders cannot make public statements to promote the offering.

R

REIT (Real Estate Investment Trust): A company that owns or finances income-producing real estate; must distribute 90%+ of taxable income to shareholders to avoid corporate tax.
RMD (Required Minimum Distribution): The minimum amount that must be withdrawn annually from retirement accounts after reaching a certain age (currently 73).
RMD Age: The age at which an individual must begin taking required minimum distributions from retirement accounts (73 for most individuals).
Realized Gain: Profit earned when an asset is actually sold for more than its purchase price.
Recession: A significant decline in economic activity spread across the economy, typically defined as two consecutive quarters of negative GDP growth.
Record Date: The date set by the issuer to determine which shareholders are entitled to receive a declared dividend.
Red Herring: Informal term for a preliminary prospectus.
Registered Representative: A person licensed to sell securities and work with clients.
Registered Security: A security that is recorded with the issuer, showing ownership by the investor.
Regulation A: Allows small companies to raise up to $75 million per year through a streamlined SEC process.
Regulation A+: Expansion of Reg A, divided into Tier 1 (up to $20M) and Tier 2 (up to $75M) offerings.

Regulation Best Interest (Reg BI): Requires broker-dealers to act in the best interest of retail customers when making recommendations.
Regulation Crowdfunding: Permits companies to raise up to $5 million via online platforms.
Regulation D: Provides exemptions from SEC registration for private placements.
Regulation S-P: Addresses the privacy of consumer financial information.
Regulation T: FRB rule governing credit extension for margin accounts.
Reinvestment Risk: The risk that income from an investment (e.g., bond coupons) will be reinvested at a lower interest rate.
REPO (Repurchase Agreement): A form of short-term borrowing for dealers in government securities.
Return on Investment (ROI): A measure of profitability calculated as (Net Profit ÷ Investment Cost) × 100.
Revenue Bond: A municipal bond supported by the revenue from a specific project or source (e.g., toll roads, utilities), not by taxes.
Rights Offering: A distribution of rights to existing shareholders to buy additional shares at a discount.
Rights of Accumulation (ROA): Allows mutual fund investors to reach breakpoints by aggregating current and prior purchases.
Risk – The chance that an investment's actual return will differ from the expected return.
Risk Tolerance: An investor's capacity and willingness to take risk.
Rollover (IRA): Moving funds from one retirement account to another without tax consequences if done within 60 days.
Rule 144: Governs the sale of restricted and control securities.
Rule 147: Provides an exemption for intrastate securities offerings.
Rule 144A: Allows QIBs to trade restricted securities without a holding period.

S

S-1 Registration: The form filed with the SEC to register new securities for public offering.
SAR (Suspicious Activity Report): Filed by firms to FinCEN when suspicious or potentially illegal financial activity is detected.
Sales Charge: A fee paid by investors when purchasing mutual fund shares, often used to compensate brokers.
SDN List (Specially Designated Nationals): A list published by OFAC of individuals/entities with whom U.S. persons are prohibited from doing business due to sanctions.
SEC (Securities and Exchange Commission) – The primary federal regulatory agency overseeing U.S. securities markets.
Secondary Market: Where previously issued securities are bought and sold.
Sector Fund: A mutual fund that invests in a specific industry or sector.
Secured Bond: A bond backed by specific collateral to reduce default risk.
Securities Act of 1933: Requires new issues to be registered with the SEC and provides full disclosure to investors.
Securities Exchange Act of 1934: Governs the trading of securities after the initial sale; created the SEC.

Securities Investor Protection Corporation (SIPC): Protects customer accounts in the event a brokerage firm fails (up to $500K total, $250K cash max).
Self-Regulatory Organization (SRO): An organization that regulates its members under SEC oversight (e.g., FINRA, MSRB).
Selling Away: When a registered rep sells securities not approved or recorded on the member firm's books — a serious violation.
Selling Dividends: A prohibited practice of encouraging investors to buy mutual fund shares just before a dividend is paid.
Separate Account: The portion of a variable annuity or life insurance policy that is invested in various sub-accounts.
Shelf Offering: A delayed offering of securities that have already been registered with the SEC.
Short Selling: Selling borrowed stock with the intention of buying it back later at a lower price.
Simple Interest: Interest calculated only on the principal amount.
SOFR (Secured Overnight Financing Rate): The interest rate benchmark replacing LIBOR.
SRO (Self-Regulatory Organization) – A non-government organization that creates and enforces rules for its members (e.g., FINRA, MSRB).
Statutory Disqualification: A disqualifying event that prevents an individual from associating with a FINRA member firm.
Stock Dividend: A dividend paid in additional shares of stock instead of cash.
Stock Split: Increases the number of shares while reducing the price per share.
Reverse Stock Split: Reduces the number of shares while increasing the price per share.
Stop Order (Stop Loss): An order that becomes a market order once a certain price is reached.
Stop Limit Order: An order that becomes a limit order once a specified stop price is reached.
Street Name: A method of registering securities in the name of a brokerage firm rather than the client. The investor remains the beneficial owner.
Structuring (AML): Also known as "smurfing," breaking large transactions into smaller ones to avoid detection/reporting requirements.
Structured Products: Securities derived from other instruments, often combining derivatives with traditional investments.
Subchapter M: Tax provision allowing mutual funds and REITs to pass income to shareholders without corporate tax, if 90%+ of income is distributed.
Suitability: Requirement that investment recommendations must align with a customer's financial situation, needs, and objectives.
Surety Bond: A type of insurance required for registered persons to ensure customer restitution in the event of fraud or misconduct.
Surrender Value: The cash value received if a variable life or annuity contract is canceled before annuitization.
Systematic Risk: Market-wide risk that cannot be diversified away (e.g., interest rate, inflation).
SLMA (Sallie Mae): A government-sponsored enterprise providing student loans.

Syndicate: A group of underwriters sharing the risk and distribution of a new securities issue.

T

TAN (Tax Anticipation Note): A short-term municipal debt instrument issued to finance current operations in anticipation of future tax receipts.

Target Fund: A mutual fund that adjusts its asset allocation based on a target retirement date.

Technical Analysis: Evaluating securities by analyzing market activity such as past prices and volume. Used to identify patterns and trends.

Tender Offer: A public offer to buy shares directly from shareholders at a premium, often used in takeovers.

Tenants in Common (TIC): A form of account ownership where each party owns a specific percentage; assets do *not* automatically transfer at death.

Time Horizon: The expected length of time an investment will be held.

TIPs (Treasury Inflation-Protected Securities): U.S. government bonds that adjust principal based on inflation.

TOD (Transfer on Death): Account registration allowing assets to pass to named beneficiaries without probate.

Trading Ahead of Research: A prohibited practice where a firm trades securities based on soon-to-be-released research.

Tranches: Slices of a CMO or ABS pool that are divided by maturity, risk, or interest.

Transfer Agent: An entity that keeps records of who owns a company's stock or bonds and handles changes of ownership.

Treasury Bill (T-Bill): A short-term debt obligation backed by the U.S. government with maturity under one year.

Treasury Bond (T-Bond): Long-term U.S. government debt with maturities of 10+ years.

Treasury Note (T-Note): Medium-term U.S. government debt with maturities of 2–10 years.

Treasury Stock: Shares that were issued and later repurchased by the company; not outstanding or entitled to dividends/voting.

Triple Witching: The simultaneous expiration of stock options, stock index options, and stock index futures (occurs quarterly).

TTM (Trailing Twelve Months): A measure of a company's financial performance over the last 12 months.

U

U4 Form: Used to register an individual with a FINRA member firm.

U5 Form: Used to terminate an individual's registration with a FINRA member firm.

UGMA (Uniform Gifts to Minors Act): Custodial account allowing gifts to minors, irrevocable and taxable to the minor.

UIT (Unit Investment Trust): An investment company offering fixed portfolios of securities; not actively managed.

ULIP (Unit Linked Insurance Plan): A product combining life insurance with investment in equity or debt.

Underwriter: A broker-dealer that helps an issuer bring securities to market.

Unrealized Gain: An increase in the value of an asset that hasn't been sold yet. It may become a realized gain if sold for profit.
Unsecured Debt: Bonds or other debt not backed by specific collateral.
Unlisted Security: A security not traded on a national exchange.
Upfront Sales Charge: A commission paid at the time of mutual fund purchase (common with Class A shares).
UTMA (Uniform Transfers to Minors Act): Similar to UGMA, allows a broader range of gifts and extends the age of majority.

V

Value Stock: A stock trading at a lower price relative to its fundamentals (e.g., dividends, earnings).
Variable Annuity: A contract with investment options (subaccounts) where payout varies based on performance.
Variable Life Insurance: A life insurance product with death benefits and cash value tied to investment performance.
VIX (Volatility Index): A real-time market index representing expectations for volatility over the next 30 days.
Volatility: A measure of the price fluctuations of a security or market.
VRDN (Variable Rate Demand Note): A long-term municipal bond with a floating interest rate and a put option to sell back at par.

W

Wash Sale: A sale of a security at a loss followed by a repurchase of the same or similar security within 30 days, disallowing the loss for tax purposes.
Warrant: A derivative giving the holder the right to buy a company's stock at a specific price for a set time.
Withdrawals (Qualified): Distributions from tax-advantaged accounts that are tax-free if conditions are met.
Wire Transfer: A method of transferring funds electronically.

Y

Yield: The income return on an investment, usually expressed as an annual percentage.
Yield to Call (YTC): The yield assuming the bond is called before maturity.
Yield to Maturity (YTM): The total return anticipated if the bond is held until maturity.
Yield Spread: The difference in yields between different bonds, often used to measure risk.
Yield Curve: A line plotting interest rates of bonds with equal credit quality but differing maturities.

Z

Zero-Coupon Bond: A bond that pays no periodic interest and is sold at a deep discount; matures at face value.
Zombie Fund: A mutual fund that still exists but is inactive or in decline.
Zone of Resistance: A technical analysis term describing a price level a stock struggles to break above.
Z-Tranche: The last tranche in a CMO to receive principal and interest payments; highest risk.