

GLOSSARY

<i>forward market</i>	Markets for transactions in which the value date is more than three working days after the trade date.
<i>rating agency</i>	A company engaged to assess and rate the credit risk assumed by an investor in the purchase of a financial product.
<i>paying agent</i>	An agent which makes principal and interest payments. With centralised deposit systems, it is the bank appointed by the issuer to be responsible for debt servicing on its behalf.
<i>spot markets</i>	Markets that involve the delivery and payment of an asset within three days from the trade date.
<i>amortization</i>	Repayment of a debt with a predetermined payment schedule.
<i>sinking-fund redemption</i>	A procedure involving the partial redemption of a fixed-income instrument in accordance with a fixed schedule.
<i>book entry</i>	An electronic system for registering centrally deposited securities. No physical certificate is issued.
<i>bond</i>	A fixed-income instrument with maturity from 3 to 10 years.
<i>fixed-rate bond</i>	A bond with a coupon rate that remains constant throughout the life of the bond.
<i>floating-rate bond</i>	A bond for which the interest rate is adjusted periodically according to movements in a specific indicator.
<i>discounted bond</i>	A bond sold below par.
<i>junk bond</i>	A bond with a credit rating of BB or lower.
<i>high-yield bond</i>	A bond that does not pay a coupon. The investor receives a redemption premium at maturity equal to the interest the investor would have received over the life of the instrument.
<i>indexed bonds</i>	A bond for which the interest rate is recalculated periodically in accordance with a formula based on an index.
<i>Matador Bond</i>	A bond denominated in pesetas issued by a non-resident issuer in Spain. These types of issues are no longer made since the advent of the euro.
<i>registered bond</i>	A bond whose owner is registered with the issuer, the agent or the Central Depository.
Broker	A firm or person who acts as intermediary by buying or selling financial assets on behalf of third parties.
Bullet	A bond redeemed at par at a fixed maturity. May not be redeemed early.
Call / callable	A right of or action by the issuer established in the general terms of the bond that allows the issuer to redeem the debt before the final maturity.
Carry	Financial cost of holding a position in a fixed-income instrument. Positive carries occur when the interest paid to investors is greater than their borrowing cost and negative carries when the cost of financing exceeds the interest rate.
<i>mortgage bond</i>	A bond secured by a portfolio of mortgage loans granted by the issuer.
CNMV	(Comisión Nacional del Mercado de Valores) The supervisory body of Spain's

	securities markets and operators.
<i>collateral</i>	Assets that are used to secure payment of interest and repayment of a financial liability.
Collar	A feature of some issues establishing a maximum and minimum interest rate ("cap" and "floor", respectively) payable by a floating rate bond over its life.
<i>counterparty</i>	The other party of a transaction, the seller or the buyer.
<i>interest payment convention</i>	Agreement on the method to count the days between each financial flow provided by the security and to calculate the accrued interest.
<i>convertible</i>	A bond that can be converted into shares.
<i>convexity</i>	A measure of the elasticity of a bond's duration with respect to interest rates.
<i>quotation</i>	The current price of a security. Normally expressed as a percentage of nominal value with fixed-income instruments.
<i>coupon</i>	Interest rate payable each accrual period. A percentage of nominal value.
<i>accrued interest</i>	The amount of cumulative interest payable to the investor.
<i>yield curve</i>	The graphical relationship between yield and maturity among bonds. It shows the time structure of interest rates.
<i>inverted, or negative, yield curve</i>	A yield curve with a downward slope where longer-term yields are lower than shorter-term yields.
<i>positive or ascending yield curve</i>	A yield curve with an upward slope where longer-term yields are higher than shorter-term yields.
<i>safekeeping</i>	The storage and protection of the physical securities of a customer. Nowadays, this entails the management of the securities accounts of each accountholder grouped under a financial institution.
Dealer	Name given to financial institutions acting as underwriters, placement agents, buyers and sellers of financial assets.
<i>denomination</i>	The stated individual face value, nominal value or par value of a bond. The monetary value the issuer obtains from the issue of each individual bond.
<i>discount</i>	The amount or percentage of the price of a bond that is lower than its par or face value.
<i>junior security</i>	A security that ranks lower in regard to payment in the event of insolvency.
<i>senior securities</i>	Securities that rank higher in regard to payment.
<i>short-term debt</i>	Debt with a maturity of less than one year.
<i>medium & long-term debt</i>	Debt with a maturity of more than one year.
<i>secured debt</i>	Debt backed by a series of assets which in the event of default can be used to repay principal and interest.
<i>spread</i>	The difference between two financial variables, typically yields or prices.
<i>credit spread</i>	The difference between the yield of a fixed-income asset with credit risk and that of its benchmark.
<i>yield spread</i>	The difference between yields of two bonds.
<i>allotment</i>	The procedure for allotting bonds among syndicate members by the lead bank.

<i>duration</i>	The result of calculating the weighted maturity of cash flows provided by an investment in a fixed-income instrument. Based on the IRR and the term of the investment.
<i>modified duration</i>	The percentage change in market price in response to changes in the yield of a fixed-income asset. Measure of price sensitivity to changes in interest rates.
<i>issue</i>	A series of securities put into circulation.
<i>issuer</i>	An entity that raises funds through an issue. Issuers may be companies, public corporations, the Treasury, etc.
<i>delivery versus payment (DVP)</i>	A procedure in which the delivery and payment of a transaction is simultaneous and inseparable.
<i>short</i>	The sale of assets on the market which the seller does not have.
Euribor	(Euro Interbank Offered Rate) The rate of interest at which banks lend cash.
<i>double taxation agreement</i>	Agreement to avoid double taxation of non-resident investors.
<i>factor</i>	Percentage of outstanding principal balance on a securitized bond with respect to the original balance.
<i>trading date</i>	The date on which the financial terms of a purchase or sale are established.
<i>issue date</i>	The value date on which the securities are put into circulation.
<i>final maturity date</i>	Date on which investors must receive payment of the principal.
<i>settlement date</i>	Date on which the securities are delivered and payment is made in a transaction.
<i>percentage point</i>	1 percentage point. If the price of a bond goes from 95% to 97%, we say it increased by two percentage points.
<i>inverse floater</i>	A bond whose yield moves contrary to interest rates.
<i>fluctuation</i>	Changes in the market price of a security.
<i>investment grade</i>	Issuers or bonds with a strong capacity to meet future financial commitments. Payment of interest and capital.
Iberclear	Central depository for Spanish securities. Oversees the settlement of transactions executed on Spanish markets.
<i>default</i>	Failure to pay principal or interest promptly when due.
<i>interest</i>	Compensation paid for the use of cash during a specified period of time. Generally expressed as a percentage of nominal value.
<i>compound interest</i>	Mathematical convention whereby interest earned on a fixed-income investment creates new interest.
<i>simple interest</i>	Mathematical convention whereby interest is a direct function of time. It is not compounded to generate new interest.
ISIN	(International Securities Identification Number) An internationally used code that identifies financial instruments.
Jumbo	Name given to issues with a total volume of over €1 billion.
<i>Treasury Bill</i>	A short-term financial asset issued by the Treasury.
<i>liquidity</i>	The ability of a financial asset to be converted into cash.

<i>round lot</i>	A unit of trading.
<i>credit enhancement</i>	A technique used to improve the credit worthiness of a bond.
<i>capital market</i>	Market in which medium- and long-term instruments are traded: bonds, debentures, shares, etc.
<i>credit markets</i>	In general, a market for short- and long-term debt instruments, the trading of which entails the transfer of credit risk.
<i>money market</i>	Market for the trading of short-term assets, normally those with a maturity between one day and one day.
<i>primary market (new-issue market)</i>	Market for new issues.
<i>secondary market</i>	Market for existing instruments that have already been put into circulation on the primary market..
<i>market members</i>	Financial institutions authorised to trade on their own account in the market or to manage third-party accounts.
<i>debenture</i>	Fixed-income instruments with a maturity of over 10 years. These may be perpetual.
Over the counter (OTC)	Unofficial market managed and organised by financial institutions.
<i>commercial paper</i>	Short-term fixed-income asset issued at a discount.
Par	The nominal value of a security: 100%.
<i>preferred or preference share</i>	Stock issued by a foreign subsidiary of Spanish financial institutions whose main feature is that they rank low as regards payment, just above common shares, pay fixed, determinable and non-cumulative remuneration and whose yield is contingent on the existence of sufficient distributable profit of the parent.
<i>odd lot</i>	A unit of trading of a security that is not a multiple of a standard lot traded in the market.
<i>perpetual-undated issue</i>	Financial asset with no maturity date.
<i>term</i>	Period of time between two dates, normally the issue date or the value date of a transaction and maturity.
Pool	A group of loans or credits comprising the assets of a securitization fund.
<i>price</i>	Percentage of nominal value at which fixed-income instruments are quoted. Amount of cash paid in a transaction.
<i>dirty price</i>	Price of a bond including accrued interest.
<i>bid price</i>	The price a buyer is willing to pay for an asset.
<i>initial offering price</i>	Initial price at which assets are offered on the primary market.
<i>ask price</i>	The price a seller is willing to sell a financial asset for.
<i>clean price</i>	Price of a bond excluding accrued interest.
<i>prepayment</i>	The partial or full payment of a security not included in the terms of the issue.
<i>premium</i>	The difference between the higher price paid for a fixed-income security and its principal.
<i>redemption premium</i>	The percentage by which redemption value exceeds par.

<i>principal</i>	Nominal value of a fixed-income asset.
<i>basis point</i>	1/100 th of 1% or a figure. One basis point represents 0.01% of the price or yield of a fixed-income instrument; e.g. a bond whose yield increases from 4.17% to 4.60% increases by 43 basis points
Put	A right of or action by the investor established in the general terms of the bond that allows the investor to redeem the debt before the final maturity.
<i>credit ratings</i>	A set of alphanumeric symbols used to convey the credit worthiness of an issue or a security.
<i>refunding</i>	Issue of a new group of securities to retire another or other outstanding issues.
<i>yield</i>	Percentage annual return provided by a security. Based on the purchase price and the price of the coupons.
<i>repurchase agreement (Repo)</i>	Two simultaneous sale and purchase transactions with different value dates. The seller in the first transaction is the buyer in the second. The only difference between a repurchase agreement and a REVERSE REPURCHASE AGREEMENT (see below) is the accounting treatment: the asset is not derecognised from the seller's balance sheet or included in the balance sheet of the buyer, but rather in a memorandum account. At the return date, the entry is removed.
<i>risk</i>	Measure of the degree of uncertainty related to investment in any financial instrument.
<i>default risk, credit risk</i>	The risk that the issuer of a fixed-income financial asset will not make the payments on the debt.
<i>market risk</i>	The possibility that fluctuations in market price will have a negative impact on an investment.
<i>prepayment risk</i>	The risk that a bond will be redeemed ahead of schedule.
<i>reinvestment risk</i>	Risk that financial flows obtained from an investment will have to be reinvested at lower interest rates than those provided by the investment.
<i>sector</i>	Grouping of securities based on the activity of the issuer.
<i>debt service</i>	Payment of interest and principal.
SGFT	(<i>Sociedad Gestora de Fondos de Titulización</i> or securitization fund management company) Entity which manages the assets and bonds comprising a securitization fund.
<i>syndicate</i>	Group of financial institutions that underwrites an issue.
STRIPS	(Separate Trading of Registered Interest and Principal of Securities) Separate portion of the principle or interest of a bond.
<i>auction</i>	A procedure for the issue of securities by which the issue price and the new volumes put into circulation are determined.
<i>floor</i>	A feature of some issues establishing a minimum interest rate payable by a floating rate bond over its life.
<i>cap</i>	A feature of some issues establishing a maximum interest rate payable by a floating rate bond over its life.
<i>securitization</i>	The process through which the cash flows generated by loans or other assets are converted into bonds or debt instruments.
<i>security</i>	Representation of the debt assumed by the issuer with the investor.

<i>bearer security</i>	Securities in which the owner is not identified. The holder is presumed to be the owner.
<i>subordinated securities</i>	Securities that rank below the main securities in respect of insolvency. In the case of bankruptcy, they would be paid after the main securities.
<i>internal rate of return</i>	(IRR) The discount rate that makes the present value of a financial investment equal to zero.
<i>all or none (AON)</i>	A feature of transactions requiring the order to be fulfilled either completely or not at all.
<i>tranche</i>	A group of securities comprising an issue with common characteristics, such as interest paid, degree of subordination, etc.
<i>transparency</i>	The dissemination of information on securities of the markets for investors' knowledge and on which they can base their decisions to buy or sell.
<i>current face</i>	The current outstanding principal of a fixed-income instrument whose repayment entails a reduction of the nominal value.
<i>face amount, face value</i>	Par value of a bond. The value that was formerly printed on the individual physical securities.
<i>present value</i>	The current worth of the sum of discounted cash flows provided by a fixed-income investment.
<i>average life</i>	Average time to recover cash invested in a fixed-income security.
<i>volatility</i>	A statistical measure of the variability of the price or return over time.