

# MSRB Glossary of Municipal Securities Terms

Third Edition, August 2013



## About the Glossary

The MSRB's glossary of terms used in the municipal securities industry is intended to help investors and other market participants get a basic understanding of commonly used municipal market terminology.

The brief definitions included in this glossary are intended for educational purposes only and are not comprehensive or official MSRB definitions. The MSRB Board of Directors does not review or adopt the definitions, which have no legal authority under MSRB rules or any other federal securities laws. Instead, the definitions reflect the consensus of industry professionals about the general usage of these terms in the municipal market. Many of these terms are also used in other segments of the securities industry and may have a different meaning when used in those other contexts.

The MSRB periodically reviews the glossary to respond to continued development and change in the industry. Please submit comments and suggestions using the MSRB's online contact form at <http://www.msrb.org/contactusForm.aspx>

## Acknowledgements

In 1985, the MSRB published the first edition of its Glossary of Municipal Securities Terms. The MSRB's glossary was based on the Glossary of Municipal Bond Terms published by the Division of Bond Finance of the State of Florida in 1983. Years after its first publication, the demand for the MSRB's glossary remains strong, attesting to the need for such a reference in the industry.

The MSRB updated the glossary in 2004 and again in 2013 with the assistance of a subcommittee of its Professional Qualifications Advisory Committee. The MSRB also received assistance from a number of industry professionals who reviewed the glossary.

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## About the MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.

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**ABATEMENT CLAUSE** – A provision of a lease that relieves a lessee of the obligation to make lease payments in the event that the leased property cannot be utilized (e.g., because of construction delays, property damage or other causes). **See: CERTIFICATE OF PARTICIPATION; LEASE RENTAL BOND.**  
**Compare: ANNUAL APPROPRIATION PLEDGE; NON-APPROPRIATION CLAUSE.**

**ABLE PROGRAM** – A program established under Section 529A of the Internal Revenue Code to permit a state, or an agency or instrumentality thereof, to establish and maintain a tax-advantaged savings program to help support individuals with disabilities in maintaining health, independence, and quality of life. Contributions to an ABLE program generally are used to acquire units in a state trust and are invested consistent with the trust’s investment objectives. Units of the trust generally are municipal fund securities. Under current federal tax law, earnings in an ABLE account accrue free of federal income tax, and distributions from an ABLE account that are used for the qualified disability expenses of the designated beneficiary are excludable from the designated beneficiary’s taxable income. **See: DESIGNATED BENEFICIARY; MUNICIPAL FUND SECURITY; QUALIFIED DISABILITY EXPENSES.**

*Last updated: February 23, 2018*

**ACCELERATION** – A provision present in many bond contracts providing that the unpaid principal becomes immediately due and payable upon the occurrence of one or more specified events of default, either events that automatically result in acceleration or events that result in acceleration only after the issuer or obligor has failed to cure the default after notice. **See: DEFAULT.**

**ACCEPTANCE RISK** – The risk to an investor that a lessee in a certificate of participation or lease rental bond financing might not occupy a newly constructed or renovated facility (and thereby might not begin making lease payments) because of dissatisfaction with the final construction or condition of the financed facility. **See: CERTIFICATE OF PARTICIPATION; LEASE RENTAL BOND.**

**ACCRETED VALUE** – **See: COMPOUND ACCRETED VALUE.**

**ACCRETION** – The process by which an increment of value is added, actually or theoretically, to an asset. **See: CAPITAL APPRECIATION BOND. Compare: AMORTIZATION.**

**ACCRETION OF DISCOUNT** – An accounting process by which the book value of a security purchased at a discount from par is increased during the security’s holding period. The accretion reflects the increase in the security’s value as it approaches the redemption or maturity date. The value of the security will grow at the interest rate implied by the discounted issuance price, the value at maturity and the term to maturity. Under a “straight line” accretion method, the amount of yearly accretion is the same for all years and is equal to the product of the total amount of the discount divided by the number of years to redemption. Under a “constant interest” accretion method, the amount of the yearly accretion increases as the redemption date approaches and for any semi-annual period is equal to (a) the original semi-annual yield to maturity multiplied by the current book value less (b) the current interest payment. **See: COMPOUND ACCRETED VALUE; DISCOUNT; MARKET DISCOUNT BOND; ORIGINAL ISSUE DISCOUNT. Compare: AMORTIZATION OF PREMIUM.**

**ACCRUED INTEREST** – The dollar amount of interest, based upon the stated rate of interest, that has accumulated on a security from (and including) the most recent interest payment date (or, in certain circumstances, the dated date or other stated date), up to but not including the date of settlement of a transaction in such security. Accrued interest is paid to the seller by the purchaser. Accrued interest is usually calculated on the basis of a 360-day year (assuming that each month has 30 days), but alternative day counting methods (most commonly based on a 365- or 366-day year counting actual days elapsed) are used for many securities that bear interest at a variable rate and for certain other types of securities (e.g., some municipal notes). The formula for computing accrued interest based on a 360-day year is as follows:

$$\text{Accrued Interest} = \text{Interest Rate} \times \text{Par Value} \times \frac{\text{Number of Days}}{360}$$

**EXAMPLES:**

- (1) City Y sold a \$10,000,000 new issue of municipal bonds on August 15. The bonds were dated June 1 and settled on September 15. The interest rate on the bonds was 4 percent.

$$\begin{array}{l} \text{On settlement date} \\ \text{accrued interest paid} \\ \text{by underwriter} \end{array} = .04 \times \$10,000,000 \times \frac{104}{360} = \$115,555.56$$

- (2) Ms. Smith bought \$100,000 of municipal bonds in the secondary market. The bonds had a 4 percent coupon rate and paid interest semi-annually on December 1 and June 1. Settlement date was April 12.

$$\begin{array}{l} \text{On settlement date} \\ \text{accrued interest} \\ \text{payable by Ms. Smith} \end{array} = .04 \times \$100,000 \times \frac{131}{360} = \$1,455.56$$

**ACCUMULATION ACCOUNT** – An account established by the sponsor of a unit investment trust into which securities purchased for the portfolio of the trust are placed until the trust is formally created and the securities are deposited into the trust. **See: BOND FUND.**

**ADDITIONAL BONDS** – An issue of bonds having a lien on the same revenues or other security pledged to outstanding bonds. Additional bonds may be issued on a parity with the outstanding bonds, although in some cases additional bonds may have either a junior lien or a senior lien on pledged revenues or other security. Additional bonds are generally issued under the same bond contract. **See: JUNIOR LIEN BONDS; OUTSTANDING BONDS; PARITY BONDS; PLEDGED REVENUES; SENIOR LIEN BONDS.**

**ADDITIONAL BONDS COVENANT or TEST** – The financial test, sometimes referred to as a “parity test,” that must be satisfied under the bond contract securing outstanding revenue bonds or other types of bonds as a condition to issuing additional bonds. Typically, the test would require that historical revenues (plus, in some cases, future estimated revenues) exceed projected debt service requirements for both the outstanding issue and the proposed issue by a certain ratio. **See: ADDITIONAL BONDS; COVENANT.**

**ADDITIONAL TAKEDOWN** – **See: SPREAD.**

**ADJUSTABLE RATE** – **See: VARIABLE RATE.**

**ADJUSTED TRADE** – An offsetting pair of transactions, executed in violation of the SEC’s anti-fraud rules and the MSRB’s pricing rules, in which a municipal securities dealer purchases a security above or below the prevailing market price while executing an offsetting trade to reflect a gain or loss on the sale of those securities at a price not at market, and the contra-party purchases a different security from the municipal securities dealer at an adjusted price that exceeds the security’s market value by approximately the same amount. These trades would permit a party to the transaction to liquidate portfolio holdings without accurately reflecting profits or losses.

**AD VALOREM TAX** – A direct tax calculated “according to value” of property. Ad valorem tax is based on an assigned valuation (market or assessed) of real property and, in certain cases, on a valuation of tangible or intangible personal property. In virtually all jurisdictions, ad valorem tax is a lien on the property enforceable by seizure and sale of the property. An ad valorem tax is normally the one substantial tax that may be raised or lowered by a local governing body without the sanction of superior levels of government (although constitutional or statutory restrictions such as tax rate limitations may limit this right). **See: MILLAGE; TAX RATE LIMIT.**

**ADVANCE REFUNDING** – For purposes of certain tax and securities laws and regulations, a refunding in which the refunded issue remains outstanding for a period of more than 90 days after the issuance of the refunding issue. Typically, such refunded bonds are secured solely by an escrow funded with the proceeds of the refunding bonds. The proceeds of the refunding issue are generally invested in Treasury securities or federal agency securities (although other instruments are sometimes used), with principal and interest from these investments being used (with limited exceptions) to pay principal and interest on the refunded issue. Bonds are “escrowed to maturity” when the proceeds of the refunding issue are deposited in an escrow account for investment in an amount sufficient to pay the principal of and interest on the issue being refunded on the original interest payment and maturity dates, although in some cases an issuer may expressly reserve its right (pursuant to certain procedures delineated by the SEC) to exercise an early call of bonds that have been escrowed to maturity. Bonds are considered “prerefunded” when the refunding issue’s proceeds are escrowed only until a call date or dates on the refunded issue, with the refunded issue redeemed at that time. The Internal Revenue Code and regulations thereunder restrict the yield that may be earned on investment of the proceeds of an advance refunding issue.

Interest on a bond that is issued to advance refund another bond cannot be excluded from gross income for bonds issued after December 31, 2017.

Refundings in which the refunded bonds are outstanding for less than 90 days are not advance refundings for federal tax purposes, but they may be advance refundings under state law or the provisions of bond contracts requiring specified comfort that the escrow securing payment of the refunded bonds is adequate. There are several methods of advance refunding or achieving the same practical effect as an advance refunding:

**Crossover Refunding** – A method of advance refunding in which the revenue stream originally pledged to secure the refunded bonds continues to be used to pay debt service on the refunded bonds until they mature or are called. At that time the pledged revenues “crossover” to pay debt service on the refunding bonds and escrowed securities are used to pay the refunded bonds. During the period when both the refunded and the refunding bonds are outstanding, debt service on the refunding bonds is paid from interest earnings on the invested proceeds of the refunding bonds.

**Forward Refunding** – An agreement, usually between an issuer and the underwriter, whereby the issuer agrees to issue bonds on a specified future date and an underwriter agrees to purchase such bonds on such date. The proceeds of such bonds, when issued, will be used to refund the issuer’s outstanding bonds. **See: EXTENDED SETTLEMENT.**

**Synthetic Refunding** – An arrangement that allows an issuer to generate debt service savings that it would realize if it were permitted to advance refund the outstanding bonds. Such arrangements generally require an issuer to enter into an agreement with a counter-party and receive an upfront payment from the counter-party in return for a specified action of the issuer or a right to take a specified action by the counter-party at a future date, typically a date on which the issuer can call the outstanding bonds and effect a current refunding. For example, on the future call date, the counter-party may have the right to require the issuer to issue refunding bonds with certain specified terms for purchase by the counter-party. Alternatively, the issuer may issue variable rate refunding bonds and have the right to require the counter-party to enter into an interest rate swap on specified terms.

**See: ARBITRAGE; DEFEASANCE; ESCROW DEPOSIT AGREEMENT; REFUNDING; SLGS; TRANSFERRED PROCEEDS; NET CASH REFUNDING; FULL CASH AND GROSS REFUND; SWAP. Compare: CURRENT REFUNDING.**

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**ADVANCE REFUNDING DOCUMENT** – The refunding escrow deposit agreement or its equivalent prepared in connection with the advance refunding of an outstanding issue of municipal securities. **See: ADVANCE REFUNDING; ESCROW DEPOSIT AGREEMENT.**

**AFFIRMATION** – An acknowledgment transmitted by an institutional customer or its agent through the facilities of an automated confirmation system indicating that the customer agrees with the details of a transaction previously confirmed through the system by the municipal securities dealer on the other side of the transaction. This is sometimes referred to as an inter-dealer confirmation. **See: DTC INSTITUTIONAL ID SYSTEM. Compare: CONFIRMATION.**

**AGENCY SECURITIES** – A term for securities issued by a federal agency or certain federally chartered entities (often referred to as government-sponsored enterprises or GSEs). Agency securities typically are not guaranteed by the federal government, particularly those of GSEs. Agency securities also are generally exempt from the registration and prospectus requirements of the Securities Act of 1933. Securities of the following entities are generally considered agency securities although the terms of a bond contract or escrow deposit agreement may further limit what are considered to be agency securities for purposes of that contract or agreement: Federal Agricultural Mortgage Corporation (Farmer Mac); Federal Farm Credit Banks Funding Corporation (FFCB or Farm Credit); Federal Home Loan Bank System (FHLB or Home Loan); Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac); Federal Housing Administration (FHA); Federal National Mortgage Association (FNMA or Fannie Mae); Government National Mortgage Association (GNMA or Ginnie Mae); and Tennessee Valley Authority (TVA). **Compare: TREASURY SECURITIES.**



**AGENCY TRADE** – Transactions in which a municipal securities dealer acts only as an agent for the customer, bringing together a buyer and a seller. The dealer makes a commission on the sale. **See: “AS AGENT” TRADE; Compare: PRINCIPAL TRADE.**

**AGREED UPON PROCEDURES LETTER** – A letter from an auditor to the underwriters of a new issue of municipal securities setting forth the procedures undertaken with respect to the review of specified financial information (e.g., interim period financial statements or other information not covered by audited statements) appearing in the official statement and providing certain conclusions regarding the information with respect to which such review procedures were applied. **Compare: COMFORT LETTER.**

**AGREEMENT AMONG UNDERWRITERS (AAU)** – The contract among the members of an underwriting syndicate establishing the syndicate rules, including the rights, duties and commitments of the senior manager and the other syndicate members with respect to the new issue of municipal securities being underwritten. In a competitive bid underwriting, the AAU is sometimes referred to as a syndicate account letter. The agreement among underwriters is also sometimes referred to as the underwriting agreement. **See: SYNDICATE; SYNDICATE ACCOUNT LETTER; UNDERWRITING AGREEMENT. Compare: SELLING GROUP AGREEMENT.**

**ALL IN COST or ALL INCLUSIVE COST (AIC)** – (1) A measurement of the total cost of a bond financing, expressed as a discount rate calculated using the present value of all debt service payments on the issue and the total proceeds of the issue. For purposes of this calculation, the amount of proceeds is adjusted by any accrued interest, original issue discount, original issue premium and costs of the financing (e.g., costs of issuance, credit enhancement fees, underwriter’s spread, etc.).

(2) For a variable rate demand obligation issue, the measure of costs expressed as a percentage that includes the cost of the liquidity facility, remarketing fees, interest payments and administrative fees.

**ALLOCATION** – The process of setting bonds apart for the purpose of distribution to syndicate members. This term is often used interchangeably with “allotment.” **See: RETENTION.**

**ALL OR NONE (AON)** – (1) A type of offering in which a party interested in purchasing the securities is required to buy (or bid for) all of the securities being offered if it wishes to buy any. Municipal securities dealers bidding to underwrite a primary offering often (but not always) are required to bid on an all or none basis.

(2) In the secondary market, an all or none buy or sell order signifies that an execution must include all of the securities.

**ALLOTMENT** – (1) The process of setting bonds apart for the purpose of distribution to syndicate members. This term is often used interchangeably with “allocation.”

(2) A syndicate member’s distribution of bonds by means of the allocation process. **See: RETENTION.**

**ALTERNATIVE MINIMUM TAX (AMT)** – Taxation based on an alternative method of calculating federal income tax under the Internal Revenue Code. Interest on certain private activity bonds is subject to the AMT. **See: INTERNAL REVENUE CODE; PRIVATE ACTIVITY BONDS.**

**ALTERNATIVE TRADING SYSTEM (ATS)** – An entity that provides a platform for bringing together purchasers and sellers of securities or for otherwise performing functions commonly performed by an exchange. Participants are typically broker-dealers, including municipal securities dealers, or institutional

investors that purchase securities or offer securities for sale by way of an offering or a bid-wanted procedure. The system operator must be registered under SEC Rule ATS as a broker-dealer or a securities exchange.

**AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)** – A federal law that, among other things, authorized the issuance of Build America Bonds and certain other municipal securities, through December 31, 2010, as taxable tax-credit bonds or direct pay subsidy bonds. The Act also and temporarily expanded the scope of bonds that could be issued as bank qualified bonds. **See: BUILD AMERICA BONDS; CREBs; DIRECT PAY SUBSIDY BONDS; TAX CREDIT BONDS.**

**AMORTIZATION** – The process of paying the principal amount of an issue of securities by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders. **See: DEBT SERVICE; DEBT SERVICE SCHEDULE.**

**AMORTIZATION OF PREMIUM** – An accounting process by which the book value of a security purchased at a premium above par or the accreted value is decreased during the security's holding period. The amortization reflects the decrease in the security's value as it approaches the redemption or maturity date. Under a "straight line" amortization method, the amount of the yearly amortization is the same for all years and is equal to the product of the total amount of the premium divided by the number of years to redemption or maturity. Under a "constant interest" amortization method, the amount of the yearly amortization decreases as the redemption or maturity date approaches and for any semi-annual period is equal to (a) the current interest payment less (b) the original semi-annual yield to maturity multiplied by the current book value. **See: ORIGINAL ISSUE PREMIUM; PREMIUM. Compare: ACCRETION OF DISCOUNT.**

**AMORTIZATION SCHEDULE** – A table showing the periodic repayment of an amount of indebtedness, such as a mortgage or bond. This table often shows interest payments in addition to principal repayments. **See: DEBT SERVICE SCHEDULE. Compare: MATURITY SCHEDULE.**

**AMT BOND** – A tax-exempt bond whose interest is subject to the alternative minimum tax. **See: ALTERNATIVE MINIMUM TAX; PRIVATE ACTIVITY BOND; TAX-EXEMPT BOND. Compare: NON-AMT BOND; TAXABLE SECURITY.**

**ANNUAL APPROPRIATION PLEDGE** – A pledge typically found in the bond contract for lease revenue bonds or securing a certificate of participation financing that commits the issuer or other obligor to make lease payments or other periodic debt service payments but only to the extent that funds are budgeted and appropriated on an annual basis by the issuer's governing body. The governing body is not legally obligated to make such appropriation in any year. An annual appropriation pledge typically is used only in connection with projects that are considered to be essential to the issuer's operations and therefore the governing body is likely to appropriate the money needed to pay debt service on an on-going basis. In many jurisdictions, this clause permits a borrowing entity to undertake a long-term certificate of participation or other lease revenue obligation financing without technically incurring debt, thereby avoiding statutory or constitutional debt limitations and referendum requirements because the lease payments are characterized as payments for use of the facilities rather than as payments on a promise to repay bonded debt. **See: CERTIFICATE OF PARTICIPATION; LEASE RENTAL BOND; NON-APPROPRIATION CLAUSE. Compare: ABATEMENT CLAUSE.**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)** – A report issued by a governmental entity that includes the entity's audited statements for the fiscal year as well as other information about the entity. Such report must meet specific standards established by the Governmental Accounting Standards Board (GASB) in order to be considered a comprehensive annual financial report. **Compare: AUDITED FINANCIAL STATEMENT.**

**ANNUAL DEBT SERVICE** – See: **DEBT SERVICE**.

**ANNUAL FINANCIAL INFORMATION** – Financial information or operating data of the type included in the final official statement with respect to the issuer or an obligated person. Rule 15c2-12 obligates underwriters for primary offerings of municipal securities to ensure that the issuer or other obligated person has undertaken to provide such information or data on an annual basis to the MSRB's EMMA system. See: **CONTINUING DISCLOSURE; CONTINUING DISCLOSURE AGREEMENT; RULE 15c2-12**.

**ANTI-FRAUD PROVISIONS** – This term usually refers to the provisions of federal law prohibiting fraud (typically in the form of material omissions or misstatements or deceptive devices, schemes or conduct) in the issuance, purchase and sale of securities, regardless of whether such securities are subject to registration with the SEC. These include Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 and other related rules. Similar provisions appear in the securities laws of certain states. See: **BLUE-SKY LAWS; RULE 10b-5; SECURITIES ACT OF 1933; SECURITIES EXCHANGE ACT OF 1934**.

**ANY-INTEREST-DATE CALL or REDEMPTION** – See: **REDEMPTION PROVISIONS**.

**ANY TIME CALL or REDEMPTION** – See: **REDEMPTION PROVISIONS**.

**APPROPRIATION CALL or REDEMPTION** – See: **REDEMPTION PROVISIONS**.

**APPROVING OPINION** – See: **LEGAL OPINION**.

**ARBITRAGE** – (1) With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the tax-exempt bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds or other federally tax-advantaged bonds. See: **ARBITRAGE REBATE; ARBITRAGE REBATE FUND; DIRECT PAY SUBSIDY BONDS; TAX CREDIT BONDS; TAX-EXEMPT BONDS; YIELD REDUCTION PAYMENT; YIELD RESTRICTION**.

(2) Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets.

**ARBITRAGE BONDS** – Bonds initially issued on a tax-exempt or other federally tax-advantaged basis that are formally deemed by the Internal Revenue Service to violate federal arbitrage regulations. If the Internal Revenue Service finds that tax-exempt bonds are "arbitrage bonds," the interest becomes retroactively taxable and therefore is included in each bondholder's gross income for federal income tax purposes. However, the issuer and/or related parties may make payments to the IRS in return for the IRS not declaring the bonds taxable. Similarly, certain federal tax benefits are lost if other types of federally tax-advantaged bonds are found by the Internal Revenue Service to be "arbitrage bonds." See: **ARBITRAGE**. Compare: **DIRECT PAY SUBSIDY BONDS; TAXABLE MUNICIPAL SECURITY; TAX CREDIT BONDS; TAX-EXEMPT BOND**.

**ARBITRAGE CERTIFICATE** – A document executed by the issuer of tax-exempt or other federally tax-advantaged bonds at the time of initial issuance certifying as to various matters relating to compliance with federal income tax laws and regulations, including arbitrage rules. Conduit borrowers may also execute an arbitrage certificate. This term is often used interchangeably with "tax certificate." See: **ARBITRAGE**.

**ARBITRAGE EARNINGS** – Investment earnings on bond proceeds and certain related funds that exceed the bond yield. **See:** **ARBITRAGE**.

**ARBITRAGE REBATE** – A payment made by an issuer to the federal government in connection with an issue of tax-exempt or other federally tax-advantaged bonds. The payment represents the amount, if any, of arbitrage earnings on bond proceeds and certain other related funds, except for earnings that are not required to be rebated under limited exemptions provided under the Internal Revenue Code. An issuer generally is required to calculate, once every five years during the life of its bonds, whether or not an arbitrage rebate payment must be made. **See:** **ARBITRAGE; ARBITRAGE EARNINGS; ARBITRAGE REBATE FUND**.

**ARBITRAGE REBATE FUND or ACCOUNT** – A fund typically established under the bond contract for tax-exempt or other federally tax-advantaged bonds in which arbitrage earnings from investments in various funds and accounts holding bond proceeds are accumulated in order to make arbitrage rebate payments to the federal government under the Internal Revenue Code. **See:** **ARBITRAGE EARNINGS; ARBITRAGE REBATE**.

**ARBITRAGE TRADING ACCOUNT** – An account used to engage in market transactions intended to earn arbitrage profits. **See:** **ARBITRAGE**.

**ARBITRAGE YIELD** – **See:** **BOND YIELD**.

**ARBITRATION** – An alternative dispute resolution system.

**“AS AGENT” TRADE** – A securities transaction executed by a municipal securities dealer, acting as a broker, on behalf of and under the instruction of another party. The municipal securities dealer does not act in a principal capacity and may be compensated by a commission or fee (which must be disclosed to the party for whom it is acting) rather than by a mark-up. To function as a customer’s agent, a municipal securities dealer must disclose or express willingness to disclose the identity of the other side of the transaction. **See:** **AGENCY TRADE; CUSTOMER TRADE; INTER-DEALER TRADE**. **Compare:** **PRINCIPAL TRADE**.

**ASK PRICE** – Price being sought for a security by the seller. Also called an offer.

**ASK YIELD** – The return an investor would receive on a security, typically a Treasury, if the investor paid the ask price.

**ASSESSED VALUATION or ASSESSED VALUE** – The appraised value of a property as set by a taxing authority for purposes of ad valorem taxation. The method of establishing assessed valuation varies from state to state. For example, in certain jurisdictions the assessed valuation is equal to the full or market value of the property; in other jurisdictions the assessed valuation is equal to a percentage of full or market value or is based on a base year market value, subject to limited permitted increases. **See:** **AD VALOREM TAX; MILLAGE**.

**ASSESSMENT BOND** – **See:** **SPECIAL ASSESSMENT BOND**.

**ASSIGNMENT** – The form imprinted on a certificated security that, when completed and signed by the registered owner, authorizes the transfer of the security into the name of a new owner. Assignments are often executed by the registered owner “in blank,” with the name of the assignee filled in subsequently. **See:** **CERTIFICATED SECURITY; REGISTERED BOND; TRANSFER**. **Compare:** **BOND POWER**.

**AUCTION AGENT** – A financial institution responsible for conducting the Dutch auction used in connection with the periodic interest rate reset and remarketing of auction rate securities. **See: AUCTION RATE SECURITIES; DUTCH AUCTION. Compare: PROGRAM DEALER; REMARKETING AGENT.**

**AUCTION MARKET** – A market for securities, typically found on a national securities exchange, in which trading in a particular security is conducted at a particular electronic or physical venue. Historically, a physical venue would consist of a specific location with all qualified persons at that post able to bid or offer securities against orders via outcry. **Compare: OVER-THE-COUNTER MARKET; TREASURY SECURITIES.**

**AUCTION RATE PREFERRED SECURITIES (ARPS)** – Securities, in some cases issued by a tax-exempt bond fund, as preferred shares earning periodic dividend payments based on a rate of return determined through a Dutch auction procedure. Investment earnings realized by the bond fund are applied first to pay dividends on ARPS before being allocated to holders of common shares of the bond fund. **See: BOND FUND; DUTCH AUCTION. Compare: AUCTION RATE SECURITIES.**

**AUCTION RATE SECURITIES** – Variable rate bonds whose interest rate is reset periodically under the Dutch auction process. **See: DUTCH AUCTION; VARIABLE RATE. Compare: AUCTION RATE PREFERRED SECURITIES.**

**AUDITED FINANCIAL STATEMENT** – A financial statement that has been examined by an auditor and upon which the auditor has expressed or disclaimed an opinion. **See: AUDIT REPORT; ANNUAL COMPREHENSIVE FINANCIAL REPORT. Compare: INTERIM PERIOD FINANCIAL STATEMENTS.**

**AUDIT REPORT** – The report prepared by an auditor following its audit or investigation of an entity's financial position and results of operations for a given period of time. As a general rule, the report should include: (a) a statement of the scope of the audit; (b) explanatory comments concerning exceptions from generally accepted accounting principles and auditing standards; (c) expression or disclaimer of opinions; (d) explanatory comments concerning verification procedures; (e) financial statements and schedules; and (f) statistical tables, supplementary comments and recommendations. **See: AUDITED FINANCIAL STATEMENT. Compare: INTERIM PERIOD FINANCIAL STATEMENTS.**

**AUTHENTICATION** – A certification, usually by the trustee under a bond contract, appearing on a bond certificate attesting that the certificate is authentic.

**AUTHORITY** – A unit or agency of a government, or a separately established not-for-profit entity formed on behalf of a governmental entity, established to perform specialized functions. In some cases, authorities have the power to issue debt that is secured by the lease rental payments made by or other specified revenue of a governmental unit using the facilities constructed with bond proceeds. In other cases, authorities issue private activity bonds for the purpose of making the proceeds available to qualified private entities for use as permitted under the federal tax laws. Examples of such authorities include water and sewer, electric, health facilities, industrial development and housing finance authorities. An authority may function independently of other governmental units, or it may depend upon other units for its creation, funding or administrative oversight.

**AUTHORIZED DENOMINATION** – The par value at which a municipal security can be purchased as authorized by the bond contract. The bond contract typically provides that all purchases must be made in authorized denominations equal to the minimum denomination or in multiples of \$5,000 above such minimum denomination. However, in some cases where bonds have large minimum denominations, authorized denominations may be based on larger multiples, such as multiples of \$100,000. **See: MINIMUM DENOMINATION.**

**AUTHORIZING ORDINANCE – See: AUTHORIZING RESOLUTION.**

**AUTHORIZING RESOLUTION** – With respect to an issue of municipal securities, the document adopted by the issuer that implements its power to issue the securities. The legal grant of such authority may be found in the enabling provisions of the constitution, statutes, charters and ordinances applicable to the issuer. Adoption of an authorizing resolution by the issuer's governing body is a condition precedent to the issuance of the proposed securities. Typically, an issuer will be required to adopt a final "award" or "sale" resolution setting forth the specific terms of the offering. In certain jurisdictions, the governing body will act by means of an ordinance ("authorizing ordinance") rather than by resolution. **See: BOND CONTRACT; BOND RESOLUTION; ORDINANCE; RESOLUTION. Compare: AWARD RESOLUTION; INDUCEMENT RESOLUTION; MASTER RESOLUTION; REIMBURSEMENT RESOLUTION.**

**AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS)** – A service provided by National Securities Clearing Corporation used by financial institutions, including municipal securities dealers, to transfer customer accounts from one firm to another. **See: NATIONAL SECURITIES CLEARING CORPORATION.**

**AVAILABLE REVENUES** – The funds obligated for the payment of debt service and the making of other deposits required by the bond.

**Gross Pledge or Gross Revenue Pledge** – A pledge that all revenues received will be used for debt service prior to deductions for any other costs or expenses. Many bond contracts with gross revenue pledges have provisions permitting the bond trustee to use gross revenues to pay operating expenses prior to debt service.

**Net Pledge or Net Revenue Pledge** – A pledge that revenues less deductions for specified costs and expenses will be used for payment of debt service.

**See: NET REVENUES.**

**AVERAGE ANNUAL DEBT SERVICE – See: DEBT SERVICE.**

**AVERAGE COUPON** – A calculation of the total interest cost for a bond issue expressed as a percentage. The average coupon is equal to the total interest payments of an issue divided by bond year dollars.

**AVERAGE LIFE** – With respect to an issue of bonds, the weighted period of time required to repay half of the issue through scheduled principal payments (e.g., maturity, sinking fund redemption, etc.). The average life, also referred to as the "weighted average life" or "weighted average maturity" or "WAM," is a reflection of the rapidity with which the principal of an issue is expected to be paid. Under one commonly used calculation method, average life is equal to the total bond years divided by the total number of bonds (one bond equals \$1,000 par amount, regardless of actual denomination). Note

that this computation method does not take into account the time value of the principal amounts. The formula for this computation is:

$$\text{Average life} = \frac{\text{Total Bond Years}}{\text{Number of Bonds}}$$

**EXAMPLE:**

For each maturity, bond years = amount maturing in that year X number of years from closing to maturity.

PERIOD	PRINCIPAL	BOND YEARS
1	2,000,000	2,000,000
2	4,000,000	8,000,000
3	6,000,000	18,000,000
	12,000,000	28,000,000

$$\text{Average Life} = 28,000,000 / 12,000,000 = 2.333 \text{ years}$$

**See: BOND YEAR; EXPECTED AVERAGE LIFE; PLANNED AMORTIZATION CLASS BOND; SINKER; SPEED.**

**AWARD** – The official acceptance by the issuer of a bid or offer to purchase a new issue of municipal securities by an underwriter. The date of the award is generally considered the “sale date” of an issue.

**See: BID; BOND PURCHASE AGREEMENT; FORMAL AWARD. Compare: VERBAL AWARD.**

**AWARD RESOLUTION** – With respect to a new issue of municipal securities, the issuer’s resolution, sometimes referred to as the “sale resolution,” authorizing the sale of the securities and approving the specific terms of the offering. **See: BOND RESOLUTION; RESOLUTION; SERIES RESOLUTION.**

**Compare: AUTHORIZING RESOLUTION.**



**BACK-END LOAD** – A sales charge or commission payable by an investor at the time of redemption of a municipal fund security. This charge is considered contingent because the amount of such charge typically will be reduced the longer the investor holds its investment and often will be eliminated after a specified period of time. **See: LOAD; MUNICIPAL FUND SECURITY. Compare: FRONT-END LOAD.**

**BAD MONEY or BAD USE** – Limitations imposed by the Internal Revenue Code that restrict the amount of bond proceeds that may be used for non-qualifying activities, generally 10 percent for governmental bonds and 5 percent for private activity bonds.

**BALANCE ORDER** – An instruction, generated by a registered clearing agency operating a system for the comparison and netting of inter-dealer transactions, that reflects an obligation of a municipal securities dealer to deliver securities to (a “deliver balance order” or “DBO”), or receive securities from (a “receive balance order” or “RBO”), another municipal securities dealer. **Compare: NETTING.**

**BALLOON MATURITY** – A maturity within a serial issue of securities (usually the last maturity) that contains a disproportionately large percentage of the principal amount of the issue. The payment of the balloon may be contingent upon or presume some form of refinancing or other event. **See: SERIAL BONDS. Compare: BULLET; TERM BONDS.**

**BALLOON PAYMENT** – The principal payment on a balloon maturity. **See: BALLOON MATURITY.**

**BANK DEALER** – A bank or separately identifiable department or division of a bank engaged in the business of effecting municipal securities transactions. Bank dealers must be registered with the SEC and the MSRB. **See: DEALER; MUNICIPAL SECURITIES DEALER.**

**BANK ELIGIBLE SECURITIES** – Securities in which banks are permitted to invest under federal banking and securities laws.

**BANK LOAN** – **See: DIRECT LOAN.**



**BANK QUALIFIED (BQ)** – Designation given to a public purpose bond offering by the issuer if it reasonably expects to issue in the calendar year of such offering no more than \$10 million (\$30 million for bonds issued in 2009-2010) of bonds of the type required to be included in making such calculation under the Internal Revenue Code. When purchased by a commercial bank for its portfolio, the bank may deduct a portion of the interest cost of carry for the position. A bond that is bank qualified is also known as a “qualified tax-exempt obligation.”

**BASIS** – See: **BASIS PRICE**.

**BASIS POINT (BP)** – .01 or 1/100 of 1 percent of yield. Smallest measure used in quoting yields on bonds or notes. For example, if a yield increases from 3.00 percent to 3.01 percent, the difference is referred to as a one basis point increase. Often a basis point is referred to as a “bp.”

**BASIS PRICE** – A price of a security expressed in terms of the yield or percentage of return to be realized by the purchaser. Sometimes referred to as the security’s basis or its yield price. **Compare:** **DOLLAR PRICE**.

**BEARER BOND** – A bond that is presumed to be owned by the person who holds it. Since 1983, tax-exempt and other federally tax-advantaged bonds may not be issued in bearer form, with the exception of obligations maturing in one year or less or obligations of a type not generally offered to the public. **Compare:** **REGISTERED BOND**.

**BENCHMARK** – A reference point against which an interest rate, an index or a peer group of bond prices or other values is measured.

**BENEFICIAL OWNER** – The person to whom the benefits of ownership of given securities accrue, even though the securities might be held by, or in the name of, another person or held in an account over which another person has investment discretion. Typically, a securities firm might hold securities in “street name” at a securities depository with the beneficial owners of the securities only designated on the firm’s records. **Compare:** **BONDHOLDER**.

**BENEFITED PROPERTIES** – Properties located within a specified area (e.g., local improvement district) that receive a direct benefit from the construction of local improvements such as water lines, sewer pipes, street improvements or sidewalks. Owners of benefited properties are typically assessed a share of the cost of the improvements based on a formula that measures the relative benefit to each benefited property. Such assessments are typically repaid over time and may secure the repayment of special assessment bonds issued by local governments to fund the cost of the improvements. **See:** **SPECIAL ASSESSMENT; SPECIAL ASSESSMENT BOND**.

**BID** – A bona fide offer to purchase securities at a specified price and yield. In a competitive bid underwriting for a primary offering of municipal securities, a potential underwriter specifies the interest rate(s) for each maturity and the purchase price in its bid to purchase the issue. In the secondary market, a bid may be placed with a broker’s broker, on an alternative trading system or through other venues. The purchase price is usually stated in terms of par, par plus a premium or par minus a discount. **See:** **AWARD; COMPETITIVE SALE**. **Compare:** **OFFER; QUALIFIED BID**.

**BID-ASK SPREAD** or **BID-ASK** – See: **SPREAD**.

**BIDDING LIMITATIONS** – The restrictions established by the issuer in the notice of sale for a competitive bid underwriting on the terms of bids submitted by prospective underwriters. Such restrictions might include: maximum range of permissible interest rates; the number of different interest rates permitted; a

particular interest rate structure (such as ascending coupons only, no zero-coupon bonds, etc.); and the amount of any permitted discount or premium. **See: COMPETITIVE SALE; NOTICE OF SALE.**

**BIDDING SYNDICATE – See: SYNDICATE.**

**BID FORM** – A document, often included with the notice of sale for a competitive bid underwriting, to be completed by underwriters submitting a bid on a new issue of municipal securities to be sold at a competitive sale. A bidding underwriter will state on the bid form its proposed interest rate(s) on the issue and the price it would be willing to pay for the new issue (subject to any conditions stated by the issuer in the notice of sale). **See: BIDDING LIMITATIONS; COMPETITIVE SALE; NOTICE OF SALE.**

**BID LIST** – Inventory of bonds distributed by a holder or municipal securities dealer in order to obtain bids.

**BID-OFFER SPREAD – See: SPREAD.**

**BID WANTED** – The process by which an investor or municipal securities dealer actively solicits bids on a position of securities from the marketplace. **Compare: OFFER WANTED.**

**BIG BOY LETTER – See: INVESTOR LETTER.**

**BILL – See: TREASURY SECURITIES.**

**BLIND POOL** – A reference to any program under which bonds are issued to finance projects not yet identified at the date of issue.

**BLUE-SKY LAWS** – A colloquial term for state securities laws derived from a statement that such laws were directed at unethical promoters who “would sell building lots in the blue sky.” Although these laws vary from state to state, most contain provisions concerning (a) prohibitions against fraud, (b) regulation of broker-dealers and investment advisors doing business in the state, and (c) registration of securities. Municipal securities are generally exempt from state securities registration requirements, although municipal securities dealers selling them are subject to many states’ registration and regulatory requirements. **See: BLUE-SKY MEMORANDUM. Compare: LEGAL INVESTMENT SURVEY.**

**BLUE-SKY MEMORANDUM** – A memorandum typically prepared by underwriter’s counsel describing the treatment of a particular new issue of municipal securities under the blue-sky laws of the various states. **See: BLUE-SKY LAWS. Compare: LEGAL INVESTMENT SURVEY.**

**BOND** – (1) The written evidence of debt, which upon presentation entitles the bondholder or owner to a fixed sum of money plus interest. The debt bears a stated rate(s) of interest or states a formula for determining that rate and matures on a date certain. (2) For purposes of computations made on a “per bond” basis, a \$1,000 increment of a security (no matter what the actual denominations are) (e.g. 10 bonds refers to a \$10,000 investment). (3) Generally refers to debt securities with a maturity of greater than the short-term range. **See: MUNICIPAL SECURITIES.**

**BOND ANTICIPATION NOTE (BAN) – See: NOTE – Bond anticipation notes.**

**BOND BANK** – Agency or instrumentality created in certain states to buy issues of bonds directly from municipalities or other local governmental entities. The purchases are financed by the issuance of bonds by the bond bank. Bond banks frequently provide low-cost financing for local governments.

**BOND CONTRACT** – An agreement outlining the obligations of the issuer with respect to the issuance and repayment of bonds. The terms of the agreement may be determined by reference to specified documents associated with the bond issue. Typically, the bond resolution and/or trust indenture, together with any other security agreements, constitute parts of the contract, as do those laws in force at the time of issuance. The documents that form the bond contract vary according to the terms of each issue. **See: BOND RESOLUTION; TRUST INDENTURE.**

**BOND COUNSEL** – An attorney or law firm retained, typically by the issuer, to give the traditional bond counsel opinion. Such opinion customarily opines that the bonds have been validly issued and, if tax exemption is intended, that the bonds are tax-exempt bonds. The opinion also may address related matters, such as state or local tax exemption and the enforceability of certain security provisions. Typically, bond counsel may prepare, or review and advise the issuer regarding, authorizing resolutions, bond contracts, official statements, validation proceedings and litigation. **See: LEGAL OPINION.**  
**Compare: DISCLOSURE COUNSEL; SPECIAL TAX COUNSEL; UNDERWRITER'S COUNSEL.**

**BOND COUNSEL OPINION** – **See: LEGAL OPINION.**

**BOND COVENANT** – **See: COVENANT.**

**BONDED DEBT** – The portion of an issuer's total tax-supported debt represented by outstanding bonds. Bonded debt can be calculated in several manners:

**Direct Debt or Gross Bonded Debt** – The sum of the total bonded debt and any short-term debt of the issuer. Direct debt may be incurred in the issuer's own name or assumed through the annexation of territory or consolidation with another governmental unit.

**Net Direct Debt or Net Bonded Debt** – Direct debt less sinking fund accumulations and all self-supporting debt.

**Overall Debt or Total Overall Debt or Total Direct and Overlapping Debt** – Total direct debt plus the issuer's applicable share of the total debt of all overlapping jurisdictions.

**Net Overall Debt or Total Direct and Overlapping Debt** – Net direct debt plus the issuer's applicable share of the net debt of all overlapping jurisdictions.

**Overlapping Debt** – The issuer's proportionate share of the debt of other local governmental units that either overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debt is generally apportioned based upon relative assessed values.

**See: DEBT RATIOS; TAX-SUPPORTED DEBT.**

**BOND ELECTION** – **See: BOND REFERENDUM.**

**BOND EQUIVALENT YIELD** – The return on a discounted security figured on a basis that permits comparison with interest-bearing securities. For a short-term (under six months) discounted security, the bond equivalent yield is an annualized rate of return. For a longer term discounted security, the bond equivalent yield is determined by a computation that adjusts for the absence of periodic payments over the life of the security. **See: DISCOUNTED SECURITY.**

**BOND EXCHANGE TRADED FUND (BOND ETF)** – An equity security that invests in debt securities. While bond ETFs may invest in municipal securities, such bond ETFs are not themselves considered municipal securities. **See: EXCHANGE TRADED FUND.**

**BOND FISCAL YEAR** – The 12-month accounting period, established under some bond contracts, used in connection with an issue of bonds. Principal and interest payments are scheduled in accordance with the bond fiscal year. The bond fiscal year may not necessarily coincide with the issuer's own fiscal year and may be established in order to take full advantage of the scheduled cash flow of projected pledged revenues. **Compare: FISCAL YEAR.**

**BOND FUND** – A colloquial term for an investment company that invests in debt securities. In the case of a tax-exempt bond fund, the investment company holds a diversified portfolio of municipal securities and units or shares in the investment company are sold to investors.

**BOND FUTURES** – **See: FUTURES CONTRACT.**

**BONDHOLDER OR BONDOWNER** – The person or entity having a true and legal ownership interest in a municipal bond. In the case of book-entry only bonds, the beneficial owner will often be treated as the bondholder in connection with certain key rights under the bond contract. **See: BENEFICIAL OWNER; BOOK-ENTRY ONLY (BEO).**

**BOND INSURANCE** – A guarantee by a bond insurer of the payment of the principal of and interest on municipal bonds as they become due should the issuer or obligated person fail to make required payments. Bond insurance typically is acquired in conjunction with a new issue of municipal securities, although insurance also is available for outstanding bonds trading in the secondary market. In the case of insurance obtained at the time of issuance, the issuer of the policy typically is provided extensive rights under the bond contract to control remedies in the event of a default. **See: BOND INSURER; CREDIT ENHANCEMENT; CREDIT FACILITY; SECONDARY INSURANCE; SURETY BOND.**

**BOND INSURER** – An insurance company or consortium of insurance companies that issues bond insurance policies to guarantee the payment of principal of and/or interest on bonds. **See: BOND INSURANCE.**

**BOND ORDINANCE** – **See: BOND RESOLUTION.**

**BOND POWER** – A separate document attached to a certificated registered security that is used in lieu of an assignment form to authorize the transfer of the security. As is the case with an assignment, bond powers are often executed by the registered owner "in blank." **See: REGISTERED BOND; TRANSFER. Compare: ASSIGNMENT.**

**BOND PREMIUM** – **See: ORIGINAL ISSUE PREMIUM.**

**BOND PROCEEDS** – The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These funds are used to finance the project or other purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract or bond purchase agreement. **See: NET PROCEEDS.**

**BOND PURCHASE AGREEMENT (BPA)** – The contract between the underwriter and the issuer setting forth the final terms, prices and conditions upon which the underwriter purchases a new issue of municipal securities. A conduit borrower also is frequently a party to the bond purchase agreement in a conduit financing. The bond purchase agreement is sometimes referred to as the "purchase contract." **See: NEGOTIATED SALE; FORMAL AWARD. Compare: VERBAL AWARD.**

**BOND REFERENDUM** – A process whereby the voters of a governmental unit are given the opportunity to approve or disapprove a proposed new issue of municipal securities. An election is most commonly required in connection with general obligation or full faith and credit bonds. Requirements for voter approval may be imposed by state constitution, statute or local ordinance.

**BOND REGISTER** – A record, kept by a transfer agent or registrar on behalf of the issuer, that lists the names and addresses of the holders of registered bonds. **See: BONDHOLDER; REGISTERED BOND; REGISTRAR; TRANSFER AGENT.**

**BOND RESOLUTION** – The document or documents in which the issuer authorizes the issuance and sale of municipal securities. Issuance of the securities is usually approved in the authorizing resolution, and sale is usually authorized in a separate document known as the “sale” or “award” resolution. All such resolutions, read together, constitute the bond resolution, which describes the nature of the obligation, the issuer’s duties to the bondholders and the issuer’s rights with respect to the obligations and the security for the obligations. In certain jurisdictions, the governing body will act by means of an ordinance (“bond ordinance”) rather than by resolution. **See: AUTHORIZING RESOLUTION; AWARD RESOLUTION; BOND CONTRACT; MASTER RESOLUTION; ORDINANCE; RESOLUTION. Compare: INDENTURE.**

**BOND SWAP** – **See: SWAP.**

**BOND TRANSCRIPT** – All legal and financial documents, including bond counsel’s legal opinion and other opinions, associated with the offering of a new issue of municipal securities.

**BOND YEAR** – A unit of \$1,000 of debt outstanding for one year. The number of bond years in an issue is equal to the product of the number of bonds (with one bond equal to \$1,000 regardless of actual authorized denominations) and the number of years from the dated date (or other stated date) to the stated maturity. The total number of bond years is used in calculating the average life of an issue and its net interest cost. Computations are often made of bond years for each maturity or for each coupon rate, as well as total bond years for an entire issue. **See: AVERAGE LIFE; NET INTEREST COST.**

**BOND YEAR DOLLARS** – An amount equal to the number of bond years in an issue multiplied by \$1,000.

**BOND YIELD** – The semi-annual discount rate that equates the principal and interest payments to the original issue proceeds. **See: YIELD.**

**BOOK-ENTRY CLEARANCE** – A system for the transfer of ownership of securities through entries on the records of a centralized agency. The centralized agency holds securities on behalf of their owners; when the securities are sold, ownership is transferred by bookkeeping entry from the seller to the purchaser. For municipal securities, book-entry clearance is currently made available through a depository trust and clearing corporation, which holds immobilized securities and acts on behalf of its participants. **See: BOOK-ENTRY ONLY; DEPOSITORY TRUST AND CLEARING CORPORATION (DTCC).**

**BOOK-ENTRY ONLY (BEO) or BOOK-ENTRY SECURITY** – A security that is not available to purchasers in physical form. Municipal securities are typically held in the form of a single, global certificate. Ownership interests of, and transfers of ownership by, investors are reflected solely by appropriate books and records entries of the depository. Most municipal securities are in book-entry only form. **See: GLOBAL CERTIFICATE. Compare: CERTIFICATED SECURITY.**

**BOOKRUNNING MANAGER** – **See: MANAGER.**

**BOOK VALUE** – The value at which a security is carried on the financial records of its owner. This value may be the original cost of acquisition of the security or original cost adjusted by amortization of a premium or accretion of a discount. The book value may differ from the security's current market value.

**Compare: MARKET VALUE.**

**BRACKET** – Groupings of underwriters determined by underwriting liabilities of each firm in a syndicate. Tombstone advertising is normally in bracket order, with each firm appearing alphabetically within a given bracket.

**BROKER** – (1) A person or firm that is engaged in the business of effecting securities transactions for the account of others. A broker engaged in the business of effecting such transactions in municipal securities is known as a "municipal securities broker." Broker is defined in the Securities Exchange Act of 1934.

(2) Commonly used to refer to a registered representative or a municipal securities representative who interacts directly with a customer.

**See: BROKER-DEALER. Compare: BROKER'S BROKER; DEALER.**

**BROKER-DEALER** – A general term for a securities firm that is engaged in both buying and selling securities for customers (i.e., agency or riskless principal trades) and/or for its own account (i.e., principal trades). **See: BROKER; DEALER. Compare: BROKER'S BROKER; BANK DEALER.**

**BROKER'S BROKER** – A dealer or a separately operated and supervised division or unit of a dealer that principally effects transactions for other dealers or that holds itself out as a broker's broker. A broker's broker engaged in the business of effecting transactions in municipal securities is known as a "municipal securities broker's broker" or, colloquially, a "voicebroker." **See: BROKER; MUNICIPAL SECURITIES BROKER.**

**BUILD AMERICA BONDS (BABs)** – Taxable municipal securities issued through December 31, 2010 under the American Recovery and Reinvestment Act of 2009 (ARRA). BABs may be direct pay subsidy bonds or tax credit bonds. **See: DIRECT PAY SUBSIDY BONDS; TAX CREDIT BONDS.**

**BULLET** – A long-term maturity that has no amortization of principal prior to maturity. **Compare: BALLOON MATURITY; SERIAL BONDS; TERM BONDS.**

**BUY-IN** – **See: CLOSE-OUT.**



**CALAMITY CALL** – See: **CATASTROPHE CALL**.

**CALENDAR** – Colloquial term for a list of new municipal securities issues scheduled to come to market in the near future. **Compare:** **VISIBLE SUPPLY**.

**CALL** – See: **REDEMPTION**.

**CALLABLE BOND** – A bond that the issuer is permitted to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract. In the case of zero coupon bonds, the call will be effected at equal to or greater than the compounded accreted value. **See:** **REDEMPTION; REDEMPTION PROVISIONS**. **Compare:** **NON-CALLABLE BOND**.

**CALL DATE** – The date on which bonds may be called for redemption as specified by the bond contract. **See:** **REDEMPTION; REDEMPTION PROVISIONS**.

**CALL FEATURES** – See: **REDEMPTION PROVISIONS**.

**CALL PRICE** – The price, as established in the bond contract, at which securities will be redeemed, if called. The call price is generally at or above par (or the compound accreted value in the case of zero coupon and some deeply-discounted original issue discount securities) and is stated as a percentage of the principal amount called. **See:** **PREMIUM CALL PRICE; REDEMPTION PREMIUM; REDEMPTION PROVISIONS**.

**CALL PROTECTION** – The aspects of the redemption provisions of an issue of callable bonds that partially protect an investor against an issuer's prepayment of the bonds prior to maturity or act as a disincentive to the issuer's exercise of its call privileges. These features may include restrictions on an issuer's right to call bonds for a period of time after issuance (for example, an issue that cannot be called for ten years after its issuance is said to have "ten years of call protection" or "ten-year no-call") or requirements that an issuer pay a premium call price for bonds called within a certain period of time after issuance. **See:** **PREMIUM CALL PRICE; REDEMPTION PROVISIONS**.

**CAPITAL APPRECIATION BOND (CAB)** – A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity the investor receives a single payment (the “maturity value”) representing both the initial principal amount and the total investment return. CABs typically are sold at a deeply discounted price with maturity values in multiples of \$5,000. CABs are distinct from traditional zero coupon bonds because the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. For this reason only the initial principal amount of a CAB would be counted against a municipal issuer’s statutory debt limit, rather than the total par value, as in the case of a traditional zero coupon bond. **See: COMPOUND ACCRETED VALUE. Compare: CURRENT INTEREST BOND; ZERO COUPON BOND.**

**CAPITALIZED INTEREST** – A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues. Capitalized interest is sometimes referred to as “funded interest.”

**CAPITALIZED INTEREST ACCOUNT** – An account under the bond contract in which a portion of the bond proceeds are deposited to pay capitalized interest on the bonds. **See: CAPITALIZED INTEREST.**

**CARRYING BROKER** – **See: CLEARING BROKER.**

**CARRYING COST** – The interest expense incurred in financing an inventory of securities. It is considered “negative carry” when the cost incurred in borrowing to finance the holding of securities exceeds the income from the securities and “positive carry” when the yield of the securities is in excess of the interest cost of the funds borrowed to finance the holding of the securities.

**CASH TRADE** – A securities transaction in which the settlement date is the same as the trade date. **Compare: EXTENDED SETTLEMENT; REGULAR WAY TRADE.**

**CATASTROPHE CALL or CALAMITY CALL** – An extraordinary redemption triggered by the destruction of or substantial damage to the facilities from which the revenues of the bond were payable. **See: EXTRAORDINARY CALL; REDEMPTION PROVISIONS.**

**CEILING** – **See: INTEREST RATE CAP.**

**CERTIFICATED SECURITY** – A security evidenced by a physical document setting forth certain information concerning the issuer of the security and details of the specific issue. Such a security is also described as being available in physical or “definitive form.” **See: BEARER BOND; REGISTERED BOND. Compare: BOOK-ENTRY ONLY.**

**CERTIFICATE OF PARTICIPATION (COP)** – An instrument evidencing a pro rata share in a specific pledged revenue stream, usually lease payments by the issuer that are typically subject to annual appropriation. The certificate generally entitles the holder to receive a share, or participation, in the payments from a particular project. The payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and the payments to a trustee, which then distributes the payments to the certificate holders. **See: ABATEMENT CLAUSE; LEASE-PURCHASE AGREEMENT; NON-APPROPRIATION CLAUSE; MUNICIPAL SECURITIES. Compare: LEASE RENTAL BOND.**

**CHANGE IN USE CALL** – An extraordinary redemption that results from a change in use of a project financed with bond proceeds that may cause interest on tax-exempt bonds to become taxable. **See: EXTRAORDINARY CALL.**



**CHURNING** – An improper practice in which an investment professional effects an excessive number of securities transactions chiefly for the purpose of maximizing the income (in commissions, sales credits or mark-ups) derived from the customer's account for the investment professional's benefit.

**CINDERELLA TAXABLE EXCHANGEABLE BOND** – See: **TAXABLE EXCHANGEABLE BOND**.

**CLEAN RENEWABLE ENERGY BONDS (CREBs)** – Bonds issued to finance certain types of renewable energy projects such as solar, wind and geothermal. These bonds provide the bondholder with a federal tax credit in lieu of payment of interest. See: **TAX CREDIT BONDS**. Compare: **NEW CREBs**.

**CLEARANCE** – The process of matching and novating (the act of replacing one participating member of a contract with another) interdealer trades. Securities that are required to be cleared are submitted to a registered clearing agency for clearance and settlement. Compare: **SETTLEMENT**.

**CLEARING AGENCY** – See: **REGISTERED CLEARING AGENCY**.

**CLEARING AGENT** – A broker-dealer or bank that handles the clearance and settlement of securities transactions on behalf of its clients. The term generally is not used to refer to one of the registered clearing agencies.

**CLEARING BROKER** – A broker-dealer that acts as clearing agent in connection with a municipal securities transaction. In addition to handling its own transactions, a clearing broker can provide clearing agent services to other broker-dealers, such as introducing brokers and other market participants. A clearing broker may provide such back office and related recordkeeping functions on either a fully disclosed or omnibus basis. In a "fully disclosed" relationship, the introducing broker must disclose the identity and other relevant information regarding the client to the clearing broker. See: **CLEARING AGENT; INTRODUCING BROKER**.

**CLEARING CORPORATION** – A registered clearing agency that provides specialized comparison, clearance and settlement services for its members. A clearing corporation typically offers services such as automated comparison systems and transaction netting systems. See: **NATIONAL SECURITIES CLEARING CORPORATION; REGISTERED CLEARING AGENCY**. Compare: **DEPOSITORY**.

**CLOSED END FUND** – A fund with a fixed number of shares.

**CLOSED LIEN or CLOSED END LIEN** – A general characterization of the security provisions on a revenue bond where these provisions preclude the issuer from issuing any additional bonds that have an equal claim on the pledged revenues or other security. Compare: **OPEN END LIEN**.

**CLOSE-OUT** – A procedure that permits a municipal securities dealer that has purchased securities from another municipal securities dealer but has not yet received them (or, as a seller of securities, has tendered a good delivery of the securities but has had such delivery improperly rejected) to take action to complete the transaction.

**CLOSING** – The exchange of securities for payment in a new issue. This generally involves participation of representatives of the issuer, bond counsel, the underwriter and other relevant parties on the date of delivery of a new issue of municipal securities. On the closing date, the issuer delivers the securities and the requisite legal documents in exchange for the purchase price. In the case of book-entry securities, global certificates typically are delivered to a registered clearing agency in advance of closing, with the registered clearing agency effecting final delivery of the securities to the underwriter on the closing date by means of book entries. Sometimes a "pre-closing" is held before delivery, typically on the day

preceding closing, to review the adequacy of the closing procedures and documents. **See: DELIVERY DATE.**

**CODE – See: INTERNAL REVENUE CODE.**

**COLLAR** – A swap agreement entered into by an issuer or obligor with a swap counterparty in connection with variable rate debt that combines an interest rate cap and an interest rate floor. Such arrangement is typically used to establish a minimum and maximum interest rate range that defines the payment obligations of the swap parties with respect to the swap. The obligor remains responsible for the payment of debt service on the bonds and typically will apply payments received under the collar to offset such payments. **See: INTEREST RATE CAP; INTEREST RATE FLOOR.**

**COLLATERALIZED DEBT OBLIGATION (CDO)** – Asset-backed securities consisting of securitized interests in pools of non-mortgage assets backed by bonds, loans, or other assets. Typically, multiple classes or tranches of CDOs are issued secured by the same pool of assets. The payments from the pool are applied to payments on the various classes of CDOs in a pre-determined order of priority.

**COLLATERALIZED MORTGAGE OBLIGATION (CMO)** – Asset-backed securities consisting of securitized interests in pools of mortgage loans. Typically, multiple classes or tranches of CMOs are issued secured by the same pool of mortgage loans. The mortgage repayments from the pool are applied to payments on the various classes of CMOs in a pre-determined order of priority, resulting in different rates of payments and different levels of risk with respect to the various classes of CMOs. **See: PLANNED AMORTIZATION CLASS BOND.**

**CO-MANAGER – See: MANAGER.**

**COMFORT LETTER** – An independent accountant’s letter delivered to the underwriter at the sale and closing of the issue that provides information concerning certain financial matters that may have occurred since the last audited financial statements of the issuer or other borrower. **Compare: AGREED UPON PROCEDURES LETTER.**

**COMMERCIAL PAPER (CP) –See: NOTE – Commercial paper.**

**COMMISSION** – A form of remuneration received by a municipal securities dealer purchasing or selling securities when acting as agent for a customer. The commission is typically a charge to the customer of a set fee per bond or transaction. The commission (or any other remuneration received) must be disclosed to the customer as a separate item on the confirmation of an “as agent” transaction. **See: “AS AGENT” TRADE; CUSTOMER TRADE. Compare: CONCESSION; MARK-DOWN; MARK-UP.**

**COMMITMENT WIRE** – A communication from the senior manager to syndicate members setting forth the final terms of a new issue of municipal securities sent prior to the award of the securities. Syndicate members will be committed to the underwriting at the terms set out in the wire unless such members withdraw as may be permitted in the agreement among underwriters or other mutual agreement. **Compare: VERBAL AWARD; FORMAL AWARD.**

**COMMODITY FUTURES TRADING COMMISSION (CFTC)** – An independent federal agency charged with the regulation of commodity futures and option markets in the United States.

**COMPARISON** – (1) The process of matching the data concerning an inter-dealer transaction specified by each party to the transaction in order to determine that both parties agree on the details of the transaction.

(2) A term used to refer to an inter-dealer confirmation. **Compare: CONFIRMATION.**

**COMPETITIVE BID** – **See: COMPETITIVE SALE.**

**COMPETITIVE SALE** – A method of sale chosen by an issuer, requesting underwriters to submit a firm offer to purchase a new issue of municipal securities. The issuer awards the municipal securities to the “winning” underwriter or syndicate presenting a bid complying with the terms of a Notice of Sale that provides the lowest interest rate cost according to stipulated criteria set forth in the Notice of Sale. The underwriting of securities in this manner is also referred to as a “public sale” or “competitive bid.” **See: NOTICE OF SALE. Compare: NEGOTIATED SALE.**

**COMPOUND ACCRETED VALUE (CAV)** – The nominal value, at any given point in time, of a security such as a capital appreciation bond, zero coupon bond or some deeply-discounted original issue discount bond on which all or a portion of the investment return is received in the form of an accretion from an initial principal amount to a maturity or redemption value. The compound accreted value as of a given time is equal to the initial principal amount plus the accretion (calculated on the compound interest method) to that date. A security’s compound accreted value may differ from its market value depending on current interest rates. A schedule of compound accreted values for a security often is made available to investors, such as in the official statement. **See: ACCRETION OF DISCOUNT.**

**COMPOUND INTEREST METHOD** – A calculation method that assumes that all coupon payments are reinvested on the same frequency basis (and at the same rate) as the computed yield.

**COMPRESSION** – The tendency of a fixed income security with short-term redemption features to increase in value for a given interest rate movement to a lesser degree than a similar security without such features. **Compare: SPREAD COMPRESSION.**

**COMPROLLER OF THE CURRENCY** – **See: OFFICE OF THE COMPROLLER OF THE CURRENCY.**

**CONCESSION** – A price expressed in terms of a net offering price (in basis or dollar price terms) minus a differential (in points or dollars per bond) granted between professionals. **Compare: NET OFFERING.**

**CONDITIONAL CALL NOTICE or CONDITIONAL CALL** – A notice of redemption published by an issuer in which the issuer retains the right to rescind the notice and cancel the redemption. **See: NOTICE OF REDEMPTION.**

**CONDITIONAL RATING** – **See: PROVISIONAL RATING.**

**CONDUIT BORROWER** – A borrower of bond proceeds in a conduit financing. **See: CONDUIT FINANCING; OBLIGOR; OBLIGATED PERSON. Compare: CONDUIT ISSUER.**

**CONDUIT FINANCING** – The issuance of municipal securities by a governmental unit (referred to as the “issuer” or “conduit issuer”) to finance a project to be used primarily by a third party, which may be a for-profit entity engaged in private enterprise, a 501(c)(3) organization, or another governmental entity (referred to as the “conduit borrower”). In a conduit financing, the conduit borrower is liable for making debt service payments on the bonds. Industrial development bonds, multi-family housing revenue

bonds and qualified 501(c)(3) bonds are common types of conduit financings. **See: 501(c)(3); HOUSING REVENUE BOND – Multi-family housing revenue bonds; INDUSTRIAL DEVELOPMENT BOND; PRIVATE ACTIVITY BOND.**

**CONDUIT ISSUER** – An issuer of municipal securities that issues securities on behalf of another entity. **See: CONDUIT FINANCING; OBLIGATED PERSON; OBLIGOR. Compare: CONDUIT BORROWER.**

**CONFIRMATION** – A written summary of the details of a transaction involving the purchase or sale of municipal securities provided by a municipal securities dealer to a customer. **See: FINAL MONIES. Compare: PERIODIC STATEMENT.**

**CONSTRUCTION FUND** – **See: PROJECT FUND.**

**CONSTRUCTION LOAN NOTE (CLN)** – Notes issued to fund construction of projects (typically housing projects). CLNs are repaid by the permanent financing, which may be provided from bond proceeds or some pre-arranged commitment. **See: NOTE – Construction loan note.**

**CONSULTING ENGINEER** – An expert who assists in the preparation of feasibility studies for proposed construction projects. **See: FEASIBILITY STUDY.**

**CONTINGENT DEFERRED SALES CHARGE (CDSC)** – **See: BACK-END LOAD.**

**CONTINUING DISCLOSURE** – Disclosure of material information relating to municipal securities provided to the marketplace by the issuer of the securities or any other entity obligated with respect to the securities after the initial issuance of municipal securities. Such disclosures include, but are not limited to, annual financial information, certain operating information and notices about specified events affecting the issuer, the obligor, the municipal securities or the project financed. Such disclosures are required to be provided by the issuer or obligor to the MSRB's EMMA system for the benefit of bondholders of the issuer's securities under continuing disclosure agreements entered into as contemplated under SEC Rule 15c2-12 or on a voluntary basis. **See: ANNUAL FINANCIAL INFORMATION; ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM; EVENT DISCLOSURE; OBLIGATED PERSON; RULE 15c2-12; SECONDARY MARKET DISCLOSURE.**

**CONTINUING DISCLOSURE AGREEMENT or UNDERTAKING** – The agreement or undertaking by the issuer of municipal securities or an obligated person with respect to such securities to disseminate annual financial information, certain operating information and disclosures concerning certain events to the marketplace as provided for under SEC Rule 15c2-12. A continuing disclosure agreement may also provide for more frequent or additional disclosures beyond those contemplated by Rule 15c2-12. **See: ANNUAL FINANCIAL INFORMATION; CONTINUING DISCLOSURE; EVENT DISCLOSURE; OBLIGATED PERSON; RULE 15c2-12; SECONDARY MARKET DISCLOSURE.**

**CONTINUING EDUCATION** – The regulatory requirement for municipal securities dealers to ensure that registered personnel maintain appropriate and current training related to their municipal securities activities. The continuing education program consists of a computer-based regulatory element, which is delivered on a scheduled basis, and a firm element, which is conducted by each firm and is tailored to its specific business.

**CONTINUOUS CALL** – A redemption of bonds that may occur at any time after the initial call date upon any required notice. **See: REDEMPTION PROVISIONS.**

**CONTINUOUS NET SETTLEMENT (CNS) SYSTEM** – **See: NETTING.**

**CONTINUOUS OFFERING** – A primary offering of municipal securities in which the issuer issues and delivers the securities to the underwriter for redelivery to customers over an extended period of time, rather than issuing and delivering the securities to the underwriter on a single date. Municipal fund securities generally are issued in a continuous offering. **See: COMMERCIAL PAPER; MUNICIPAL FUND SECURITIES; PRIMARY OFFERING.**

**CONTRACT CLAUSE** – Federal and state constitutional provisions prohibiting state governments from enacting any law that impairs the obligation of an existing contract. The issue of contract impairment can arise with respect to municipal securities when action is taken or proposed that has the effect of reducing revenues pledged for payment of the securities or otherwise altering the security for their payment. Such action may be invalid as an unconstitutional impairment of the bondholders' contract with the issuer or obligor, unless the bond contract permits amendments of the security provisions or substitution of security.

**CONTRA-PARTY or CONTRA-SIDE** – The municipal securities dealer or customer to whom a person has sold municipal securities or from whom a person has purchased municipal securities.

**CONVERGENCE** – The tendency of the market value of a security to approach its redemption price or maturity value as the date of redemption or maturity draws nearer.

**CONVERTIBLE BOND** – A bond having a fundamental feature that changes in a prescribed manner at a future date, typically determined by the issuer upon the meeting of specified conditions.

**CONVEXITY** – A measure of the price sensitivity of a fixed income security to changes in interest rates. "Convexity" refers to the shape of the price curve when graphed against theoretical interest rate points. Convexity is influenced by such factors as the coupon rate, maturity and any calls that may or may not exist. Prices rise at increasing rates as yields fall and prices decline at decreasing rates as yields rise. **Compare: DURATION.**

**COSTS OF ISSUANCE** – Expenses associated with the sale of a new issue of municipal securities, including such items as underwriter's discount and financial advisory, bond counsel, other counsel and rating agency fees and other expenses.

**COSTS OF ISSUANCE ACCOUNT** – An account under the bond contract in which bond proceeds and other available funds are deposited pending disbursement to pay costs of issuance. **See: COSTS OF ISSUANCE.**

**COUPON BOND** – An interest-bearing bond. **See: COUPON; CURRENT INTEREST BOND. Compare: CAPITAL APPRECIATION BOND; ZERO COUPON BOND.**

**COUPON EQUIVALENT YIELD** – **See: BOND EQUIVALENT YIELD.**

**COUPON OR COUPON RATE** – The periodic rate of interest, usually calculated as an annual rate payable on a security expressed as a percentage of the principal amount. The coupon rate, sometimes referred to as the "nominal interest rate," does not take into account any discount or premium in the purchase price of the security. **See: COUPON BOND; INTEREST RATE. Compare: CURRENT YIELD; EFFECTIVE INTEREST RATE; YIELD TO MATURITY.**

**COVENANT or BOND COVENANT** – Contractual obligations set forth in a bond contract. Covenants commonly made in connection with a bond issue may include covenants to charge fees sufficient to provide required pledged revenues (called a "rate covenant"); to maintain casualty insurance on the project; to complete, maintain and operate the project; not to sell or encumber the project; not to issue

parity bonds or other indebtedness unless certain tests are met ( "additional bonds" or "additional indebtedness" covenant); and not to take actions that would cause tax-exempt interest on the bonds to become taxable or otherwise become arbitrage bonds ("tax covenants"). A covenant whereby a party is affirmatively obligated to undertake a duty in order to protect the interests of bondholders (e.g., to maintain insurance) is referred to as an "affirmative" or "protective covenant." A covenant whereby the issuer obligates itself to refrain from performing certain actions (e.g., not to sell the project) is referred to as a "negative covenant."

**COVER** – The difference between the winning bid on a new issue or secondary market transaction and the next highest bid. The cover bid on a new issue is most often expressed in terms of the difference in the interest cost (in either basis point or gross dollar terms); on secondary market transactions it may be expressed in terms of basis points or dollars per bond. **See: COVER BID.**

**COVER BID** – The next highest bid on a new issue or secondary market transaction that has been put out to bid.

**COVERAGE** – The ratio of available revenues available annually to pay debt service over the annual debt service requirement. This ratio is one indication of the availability of revenues for payment of debt service. The formula for determining coverage, often referred to as "debt service coverage" or the "coverage ratio," is as follows:

	Coverage	=	$\frac{\text{Available Revenues}}{\text{Debt Service Requirement}}$	
<i>EXAMPLE:</i>	Coverage	=	$\frac{\$2,000,000}{\$1,200,000}$	= 1.66

**See: ADDITIONAL BONDS COVENANT; DEBT SERVICE; PLEDGED REVENUES.**

**COVERAGE RATIO** – **See: COVERAGE.**

**CREDIT DEFAULT SWAP** – An agreement that transfers the credit risk of a third party from the protection buyer to a protection seller in exchange for a premium. **See: SWAP.**

**CREDIT ENHANCEMENT** – The use of the credit of an entity other than the issuer or obligor to provide additional security in a bond or note financing. This term typically is used in the context of bond insurance, bank letters of credit and other facilities, state intercept guarantees and credit programs of federal or state governments or federal agencies, but also may refer more broadly to the use of any form of guaranty, secondary source of payment or similar additional credit-improving instruments. **See: BOND INSURANCE; CREDIT FACILITY; LETTER OF CREDIT; SECONDARY INSURANCE; SURETY BOND.**

**CREDIT FACILITY** – An instrument that provides credit enhancement. **See: CREDIT ENHANCEMENT.**  
**Compare: LIQUIDITY FACILITY.**

**CREDIT WATCH** – An announcement issued by a rating agency to the market of potential changes, either positive or negative, in the rating of an issue of outstanding securities. Such securities sometimes are said to be placed on a "watchlist" or on "rating watch." **See: DOWNGRADE; RATING AGENCY; RATINGS; UPGRADE.**

**CROSS OR CROSS TRADE** – A trade where a broker buys bonds from one customer and sells them to another customer simultaneously at current market prices.

**CROSSOVER BUYER** – An investor who typically invests in taxable securities but will “crossover” to invest in the tax-exempt market.

**CROSSOVER REFUNDING** – **See: ADVANCE REFUNDING.**

**CURRENT COUPON** – A coupon rate that is the same or similar to interest rates on new issues of municipal securities being sold at the same time. A bond with a current coupon would be trading at a price close to par and would have a yield to maturity approximately equal to its coupon rate. **See: COUPON RATE.**

**CURRENT INTEREST BOND** – A bond on which interest payments are made to the bondholders on a periodic basis. This term is most often used in the context of an issue of bonds that includes both capital appreciation bonds and current interest bonds. **Compare: CAPITAL APPRECIATION BOND; DISCOUNTED SECURITY; ZERO COUPON BOND.**

**CURRENT REFUNDING** – A refunding transaction where the municipal securities being refunded will all mature or be redeemed within 90 days or less from the date of issuance of the refunding issue. Certain federal income tax rules relating to permitted yields of invested proceeds of the refunding issue, rebate of arbitrage earnings and the ability to refund certain types of municipal securities may be less restrictive in the case of current refundings as contrasted with advance refundings. **Compare: ADVANCE REFUNDING.**

**CURRENT YIELD** – The ratio of the annual dollar amount of interest paid on a security to the purchase price or market price of the security, stated as a percentage. For example, a \$1,000 bond purchased at par with a 5 percent coupon pays \$50 per year, or a current yield of 5 percent. The same bond, if purchased at a discount price of \$800, would have a current yield of 6.25 percent. A \$1,000 bond purchased at a premium price of \$1,200 would have a current yield of 4.1 percent. **Compare: YIELD TO CALL; YIELD TO MATURITY.**

**CUSHION BOND** – A bond trading with a coupon rate higher than the then prevailing coupon rates, and therefore trading at a higher dollar price. Such bonds are typically priced to the call and create a substantially higher yield to maturity as compared to yield to call. The bond “cushions” because the dollar value of one basis point (.01) priced to the call is less than if priced to maturity; therefore, the volatility is reduced. **See: KICKER BOND.**

**CUSIP NUMBER** – An identification number assigned by the CUSIP Service Bureau to each maturity of an issue intended to help facilitate the identification and clearance of securities. In some cases, separate CUSIP numbers may be assigned to different portions of a maturity that bear different interest rates or where differences exist in the terms of the securities of such maturity that may impair the fungibility of the securities within the maturity. For example, if a portion of a maturity has been advance refunded and the remaining portion remains outstanding, each portion will be assigned a separate CUSIP number. CUSIP is an acronym for Committee on Uniform Securities Identification Procedures.

**CUSTODIAL RECEIPTS** – Secondary market products that represent an indirect interest in a taxable or tax-exempt bond or a pool of bonds held by a custodian.

**CUSTOMER ALLOCATION** – The division into multiple customer accounts of a block of municipal securities purchased by an investment adviser or other professional for its customers.

**CUSTOMER COMPLAINT** – Any written statement alleging a grievance involving the activities of the municipal securities dealer or any associated persons of such municipal securities dealer with respect to any matter involving a customer’s account.

**CUSTOMER TRADE or TRANSACTION** – A municipal securities trade between a municipal securities dealer and a counterparty that is not a municipal securities dealer, either as agent or principal. **Compare: INTER-DEALER TRADE.**

**CUT-OFF PRICE** – See: **DE MINIMIS DISCOUNT.**





**DATED DATE** – The date from which interest on a new issue of municipal securities typically starts to accrue. This date is often used to identify a particular series of bonds of an issuer. **Compare: DELIVERY DATE.**

**DEALER** – A person or firm engaged in the business of effecting securities transactions for that person's or firm's own account. Dealer is defined in the Securities Exchange Act of 1934. **See: BROKER-DEALER; MUNICIPAL SECURITIES DEALER. Compare: BROKER.**

**DEBENTURE** – Refers generally to a debt instrument issued under an indenture or bond contract backed solely by the general credit of the issuer. Debentures are not secured by a pledge against any specific revenues, property or other asset of the issuer. The term "debenture" may also refer to the bond contract that governs the issuance of the instrument and the covenants relating thereto.

**DEBT LIMIT** – The maximum principal amount of debt that an issuer of municipal securities is permitted to have outstanding at any time under constitutional, statutory or bond contract provisions. The debt limit can be expressed in various manners, including, for example, as a percentage of assessed valuation.

**DEBT RATIOS** – Comparative statistics showing the relationship between the issuer's outstanding debt and such factors as its tax base, income or population. Such ratios are often used in the process of determining credit quality of an issue, primarily on general obligation bonds or other tax-supported debt. Some of the more commonly used ratios are (a) net overall debt to assessed valuation, (b) net overall debt to estimated full valuation, (c) net overall debt per capita, and (d) tax-supported debt to personal income. **See: BONDED DEBT; PER CAPITA DEBT.**

**DEBT SERVICE** – The amount of money necessary to pay interest on outstanding bonds, the principal of maturing or redeemed bonds and any required contributions to a sinking fund for term bonds. This amount is also known as the "debt service requirement." "Annual debt service" refers to the total principal and interest required to be paid in a calendar year, fiscal year, or bond fiscal year. "Total debt service" refers to the total principal and interest paid throughout the life of a bond issue. "Average annual debt service" refers to the average debt service payable each year on an issue. "Maximum annual debt service" refers to the amount of debt service for the year in which the greatest amount of debt

service payments are required and is often used in calculating required reserves and in additional debt tests. **See: AMORTIZATION; DEBT SERVICE SCHEDULE; LEVEL DEBT SERVICE; LEVEL PRINCIPAL.**

**DEBT SERVICE COVERAGE – See: COVERAGE.**

**DEBT SERVICE FUND – See: FLOW OF FUNDS – Debt Service Fund.**

**DEBT SERVICE REQUIREMENT – See: DEBT SERVICE.**

**DEBT SERVICE RESERVE FUND – See: FLOW OF FUNDS – Debt Service Reserve Fund.**

**DEBT SERVICE RESERVE FUND REQUIREMENT –** The amount required by the bond contract to be maintained in the debt service reserve fund. A typical debt service reserve fund requirement (sometimes referred to as the “reserve fund requirement” or “reserve requirement”) might be a fixed percent of the outstanding par value or the maximum annual debt service of the issue. The size and investment of the debt service reserve fund generally is subject to arbitrage regulations. **See: FLOW OF FUNDS – Debt Service Reserve Fund.**

**DEBT SERVICE SCHEDULE –** A table listing the periodic payments necessary to meet principal and interest requirements over the period of time securities are to be outstanding. **See: AMORTIZATION SCHEDULE. Compare: MATURITY SCHEDULE.**

**DECLINING DEBT SERVICE – See: LEVEL PRINCIPAL.**

**DEFAULT –** A failure to pay principal of or interest on a bond when due or a failure to comply with other covenant, promise or duty imposed by the bond contract. The most serious event of default, sometimes referred to as a “monetary” default, occurs when the issuer fails to pay principal, interest or other funds when due. Other defaults, sometimes referred to as technical or non-payment defaults, result when specifically defined events occur, such as failure to comply with bond contract covenants, failing to charge rates sufficient to meet rate covenants, failing to maintain insurance on the project or failing to fund various reserves. Generally, if a monetary default occurs or if a technical default is not cured within a specified period (usually after notice) such default becomes an event of default and the bondholders or trustee may exercise legally available rights and remedies for enforcement of the bond contract. **See: ACCELERATION.**

**DEFEASANCE or DEFEASED –** Termination of certain of the rights and interests of the bondholders and of their lien on the pledged revenues or other security in accordance with the terms of the bond contract for an issue of securities. This is sometimes referred to as a “legal defeasance.” Defeasance usually occurs in connection with the refunding of an outstanding issue after provision has been made for future payment of all obligations related to the outstanding bonds, sometimes from funds provided by the issuance of a new series of bonds. In some cases, particularly where the bond contract does not provide a procedure for termination of these rights, interests and lien other than through payment of all outstanding debt in full, funds deposited for future payment of the debt may make the pledged revenues available for other purposes without effecting a legal defeasance. This is sometimes referred to as an “economic defeasance” or “financial defeasance.” If for some reason the funds deposited in an economic or financial defeasance prove insufficient to make future payment of the outstanding debt, the issuer would continue to be legally obligated to make payment on such debt from the pledged revenues. **See: ADVANCE REFUNDING.**

**DEFINITIVE FORM – See: CERTIFICATED SECURITY.**

**DELAYED DELIVERY TRADE – See: EXTENDED SETTLEMENT. Compare: FAIL.**

**DELAYED SETTLEMENT** – See: **EXTENDED SETTLEMENT**.

**DE-LINK** – The process, set forth in the bond contract, by which an owner of linked securities may separate floater and inverse floater portions into separately transferable securities. See: **FLOATER; INVERSE FLOATER; LINKED SECURITIES**.

**DELIVER BALANCE ORDER (DBO)** – See: **BALANCE ORDER**.

**DELIVERY DATE** – The date on which securities are delivered for settlement. See: **ISSUANCE; SETTLEMENT DATE**. Compare: **DATED DATE**.

**DELIVERY VS. PAYMENT (DVP)** – A method of settling transactions whereby payment is made as the securities involved in the transaction are delivered and accepted. The term is often used to refer specifically to a transaction settled in this manner where a customer has purchased securities from a municipal securities dealer. The term is also used generally to refer to all types of transactions settled in this way. Compare: **RECEIPT VS. PAYMENT**.

**DE MINIMIS DISCOUNT**– The amount of discount, sometimes referred to as the “cut-off price,” at which, for federal income tax purposes, interest on an original issue discount bond is not required to be included as income in advance of receipt. This treatment applies only when the original issue discount is very small (i.e., de minimis).

**DENOMINATION** –See: **AUTHORIZED DENOMINATION; MINIMUM DENOMINATION**.

**DEPOSITORY** – A registered clearing agency that provides immobilization, safekeeping and book-entry and settlement services to its participants. See: **DEPOSITORY TRUST COMPANY; DEPOSITORY TRUST AND CLEARING CORPORATION; REGISTERED CLEARING AGENCY**. Compare: **CLEARING CORPORATION**.

**DEPOSITORY TRUST AND CLEARING CORPORATION (DTCC)** – A registered clearing agency and holding company that through its subsidiaries provides book entry, clearance and settlement for various types of securities, including municipal securities. See: **DEPOSITORY; DEPOSITORY TRUST COMPANY; NATIONAL SECURITIES CLEARING CORPORATION**.

**DEPOSITORY TRUST COMPANY (DTC)** – A depository that is a subsidiary of DTCC. See: **DEPOSITORY; DEPOSITORY TRUST AND CLEARING CORPORATION**.

**DERIVATIVE** – A product whose value is derived from an underlying security or other asset structured to deliver varying benefits to different market segments and participants. The term encompasses a wide range of products offered in the marketplace including interest rate swaps, caps, floors, collars and other synthetic variable rate products. See: **SWAP**.

**DESIGNATED BENEFICIARY** – A term used in connection with an ABLÉ account and a 529 plan account. For an ABLÉ account, the designated beneficiary is the account owner and the person named as the individual for whom qualified disability expenses may be paid from amounts invested in a particular ABLÉ account. For a 529 plan account, the designated beneficiary is the person named as the individual for whom qualified higher education expenses may be paid from amounts invested in a particular 529 account. See: **ABLE PROGRAM; 529 PLAN; 529 SAVINGS PLAN**.

*Last updated: February 23, 2018*

**DESIGNATED ORDER** – See: **PRIORITY PROVISIONS**.

**DESIGNATION – See: PRIORITY PROVISIONS.**

**DETACHABLE CALL** – An option, sold by an issuer to a third party, to exercise a call on a bond. Typically, such option will permit the third party to require the issuer to exercise a mandatory call for tender of its bonds in a specified amount and at a specified time for purchase by the third party at a specified price. The call rights granted to the third party by such option often are structured consistently with the typical optional redemption provisions of municipal securities that may not carry detachable calls. Although from the bondholder's perspective the terms of a security with a detachable call may be identical to a security that has optional redemption provisions that are not detachable, the bondholder may perceive that the likelihood of an optional call being exercised is altered by the fact that the power to exercise such call is held by a person or entity other than the issuer. **See: REDEMPTION PROVISIONS; TENDER OPTION.**

**DIRECT DEBT – See: BONDED DEBT.**

**DIRECT LOAN** – A loan to a municipal issuer from a banking institution or another lender. The obligations may constitute municipal securities.

**DIRECT PAY SUBSIDY** – A federal cash subsidy paid directly to the issuer of municipal securities in an amount that may be equal to a percentage of the interest paid on the municipal securities. Such subsidy is typically provided in lieu of the exemption from gross income for federal income tax purposes of the bondholders of such municipal securities.

**DIRECT PAY SUBSIDY BOND** – A municipal security that entitles the issuer to receive direct pay subsidies. **See: BUILD AMERICA BONDS; RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS.**

**DIRT BONDS** – A colloquial term for bonds secured by land values, often on unimproved property. The security for payment of debt service may be in the form of, among other things, mortgages on property, property taxes or special assessments based on the valuation of property, special assessments based on the benefit to a property or sales proceeds received upon sales of parcels of property.

**DISCLOSURE COUNSEL** – An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and/or continuing disclosure agreement. **Compare: BOND COUNSEL; SPECIAL TAX COUNSEL; UNDERWRITER'S COUNSEL.**

**DISCLOSURE STATEMENT – See: PROGRAM DISCLOSURE DOCUMENT.**

**DISCOUNT** – For a discount bond, the difference between the price paid for a bond and its par value or compound accreted value. For tax purposes, the actual amount of discount with respect to a particular security may be affected by the existence of any original issue discount or original issue premium. **See: ACCRETION OF DISCOUNT; MARKET DISCOUNT BOND; ORIGINAL ISSUE DISCOUNT. Compare: PREMIUM.**

**DISCOUNT BOND** – A bond that is purchased for less than its par value or compound accreted value. **See: DISCOUNT. Compare: PAR BOND; PREMIUM BOND.**

**DISCOUNTED SECURITY** – A security that is sold at a discount below par, with the investment return realized solely from the accretion of this discounted amount to the security's maturity value. This is commonly known as bank discount basis. The most common type of discounted security is the U.S. Treasury bill. Some municipal notes are issued on a discounted basis.

**DISCRETIONARY ACCOUNT** – A customer account in which the customer has given to the municipal securities dealer carrying the account authority in writing to determine what securities to purchase or sell for the account, when to do so and at what prices. The customer often specifies certain investment objectives or criteria that may limit the municipal securities dealer's exercise of its discretion.

**DIVERSIFICATION** – The practice of including different types of assets (e.g., securities that differ by type or location of issuer, maturity, or credit quality) in a portfolio in an effort to reduce risks or improve overall portfolio performance. Diversifying a securities portfolio by type or location of issuer, for example, might protect the portfolio against adverse conditions in a particular industry or region of the country, while diversifying by credit quality might permit the acquisition of lower-rated, higher-yielding securities while protecting most of the portfolio's capital in higher quality securities.

**DIVIDED OR WESTERN ACCOUNT** – A method for determining liability in an underwriting of a new issue of municipal securities, as set out in the agreement among underwriters, in which each member of an underwriting syndicate is liable only for the amount of its participation in the issue and not for any unsold portion of the participation amounts allocated to the other underwriters. **See: SYNDICATE.**

**DK** – A designation (derived from an abbreviation of the words "don't know") indicating that a party does not have a record of a transaction another party is confirming to it or has no instructions or records indicating that it should accept a delivery being tendered to it.

**DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT (DODD-FRANK ACT)** – Financial reform legislation enacted by Congress in 2010 that amended various federal laws including the federal securities laws.

**DOLLAR BOND** – A colloquial term for a bond that is usually quoted and traded in terms of dollar price rather than yield. Dollar bonds are typically longer dated term bonds from large issues. **See: TERM BONDS.**

**DOLLAR PRICE** – A quoted price of a security, expressed in terms of dollars per \$100 par value. The dollar price is the transaction price which may be derived from the yield (basis price) of the transaction. **Compare: BASIS PRICE.**

**DOUBLE-BARRELED BOND** – A bond secured by both a defined source of revenue (other than property taxes) and the full faith and credit or taxing power of an issuer that has taxing powers. **Compare: FULL FAITH AND CREDIT; REVENUE BOND; GENERAL OBLIGATION BOND.**

**DOUBLE EXEMPTION** – **See: TAX-EXEMPT BOND.**

**DOWNGRADE** – The lowering of a bond rating by a rating agency due to a deterioration of the credit quality of the issue. **See: RATINGS; CREDIT WATCH. Compare: UPGRADE.**

**DRAWDOWN SCHEDULE** – A schedule of estimated expenditures to be made from bond proceeds and other available funds on a construction project. Such schedule typically shows periodic payments, or "draws," to the contractor at progressive stages of completion of the project.

**DTC ELIGIBLE** – Securities that are eligible for book-entry depository delivery and settlement services through DTCC.

**DTC INSTITUTIONAL DELIVERY NETTING SERVICE (ID Net)** – A joint service offering of DTC and NSCC that allows dealers to combine their affirmed institutional trades, including municipal securities, with other trades that they may have in NSCC's Continuous Net Settlement (CNS) system.

**DUE DILIGENCE** – The term commonly used to refer to the investigation made by underwriters, usually with the assistance of counsel, in part to determine the accuracy and adequacy of the official statement and to discover information that may be required in an official statement to ensure its completeness.

**DURATION** – A measure of the timing of cash flows (i.e., the interest payments and the principal repayment) to be received from a given fixed income security. Duration is used to assess price volatility for given changes in interest rates, the reinvestment risk associated with a given portfolio or the interest rate risk associated with matching particular interest-rate-sensitive assets and liabilities. **Compare:**  
**CONVEXITY.**

**DUTCH AUCTION** – A process by which securities are sold at the lowest yield at which sufficient bids are received to sell all securities offered. Generally, the securities will be sold at the clearing yield established by the Dutch auction process to all investors placing bids at or below the clearing yield (lowest yield).  
**See: AUCTION AGENT; AUCTION RATE SECURITIES.**



**EASTERN OR UNDIVIDED ACCOUNT** – A method for determining liability in an underwriting of a new issue of municipal securities, as set out in the agreement among underwriters, in which each member of the underwriting syndicate is liable for any unsold portion of the issue according to each member's percentage participation in the syndicate. Almost all syndicates are structured as undivided accounts. **See: SYNDICATE.**

**EFFECTIVE INTEREST COST** – The rate at which the total debt service payable on a new issue of municipal securities would be discounted to provide a present value equal to the amount bid on the new issue.

**EFFECTIVE INTEREST RATE** – The actual rate of interest earned by the investor on securities, which takes into account the amortization of any premium or the accretion of any discount over the period of the investment.

**ELECTRONIC BID** – The process of submitting a competitive bid for a new issue of municipal securities or a bid on a secondary market trade through any of several proprietary services that facilitate the collection of bids by electronic means.

**ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA®) SYSTEM** – A centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market operated by the MSRB. Among other things, EMMA serves as the official source for official statements and other primary market disclosure documents for new issues of municipal securities as well as the official source for continuing disclosures for outstanding issues of municipal securities for which the issuer or obligated person has entered into a continuing disclosure agreement as contemplated under SEC Rule 15c2-12.

**ELIGIBLE SECURITIES** – The types of securities in which investments are permitted by law or under a bond contract and often refers specifically to the types of securities authorized under the bond contract to be held in escrow for the purpose of defeasing bonds. **See: ESCROW DEPOSIT AGREEMENT.**  
**Compare: MONEY MARKET ELIGIBLE SECURITIES; PERMITTED INVESTMENTS.**

**ENTERPRISE ACTIVITY** – A revenue-generating facility or system that provides funds necessary to pay debt service on securities issued to finance its construction or improvement. The debt incurred for such facility or system is self-liquidating when the facility or system produces sufficient revenues to cover all debt service and other requirements imposed under the bond contract. Common examples include airports, water and sewer systems and power supply systems. **See: ENTERPRISE FUND; SELF-SUPPORTING DEBT.**

**ENTERPRISE FUND** – A fund established by a governmental entity to account for operations of an enterprise activity. Enterprise funds generally are segregated as to purpose and use from other funds and accounts of the governmental entity with the intent that revenues generated by the enterprise activity and deposited to the enterprise fund will be devoted principally to funding all operations of the enterprise activity, including payment of debt service on securities issued to finance such activity. In some cases, however, the governmental entity may be permitted to use funds in an enterprise fund for other purposes and to use other funds to pay costs otherwise payable from the enterprise fund. **See: ENTERPRISE ACTIVITY.**

**ENTERPRISE ZONE (EZ) BOND** – A private activity bond issued to provide financing for projects (including certain commercial private activity bonds that could not otherwise be issued on a tax-exempt basis) located in federally-designated empowerment zones and enterprise communities. Issuers must meet specific ownership and employment targets relating to residents of the zone or community. **See: PRIVATE ACTIVITY BOND – Exempt Facility Bonds.**

**ESCROW ACCOUNT** – A fund established to hold funds pledged and to be used solely for a designated purpose, typically to pay debt service on an outstanding issue in an advance refunding. **See: ADVANCE REFUNDING; ESCROW DEPOSIT AGREEMENT.**

**ESCROW DEPOSIT AGREEMENT** – An agreement that typically provides for the deposit of funds or securities in an escrow account to refund an outstanding issue of municipal securities. The agreement sets forth the manner in which funds are to be invested (generally in eligible securities) pending their expenditure and the schedule on which on-going debt service payments are to be made and early redemptions, if any, of securities are to occur. **See: ADVANCE REFUNDING; ADVANCE REFUNDING DOCUMENT; ELIGIBLE SECURITIES; ESCROW ACCOUNT; ESCROWED SECURITIES.**

**ESCROWED SECURITIES** – Securities that are held, typically in an escrow account, to be used solely for a designated purpose. **See: ESCROW ACCOUNT.**

**ESCROWED TO MATURITY** – **See: ADVANCE REFUNDING. Compare: PREREFUNDED.**

**ETHICAL WALL** – **See: INFORMATION BARRIER.**

**EVENT NOTICE or DISCLOSURE** – Disclosure of certain enumerated events relating to a municipal security required to be made by an issuer or obligated person to the Electronic Municipal Market Access (EMMA<sup>®</sup>) system pursuant to a continuing disclosure agreement or undertaking meeting the requirements of SEC Rule 15c2-12. These disclosures are sometimes referred to as material event notices or disclosures even though a materiality standard applies to only certain of the required disclosures. **See: CONTINUING DISCLOSURE; CONTINUING DISCLOSURE AGREEMENT; RULE 15c2-12.**

**EVENT OF DEFAULT** – **See: DEFAULT.**

**EVERGREEN LETTER OF CREDIT** – Refers to a letter of credit that provides that the stated expiration date is automatically reinstated (renewed) until the bank issuing the letter of credit gives notice to the beneficiary of the letter of credit that it will expire.



**EXCHANGE ACT** – See: **SECURITIES EXCHANGE ACT OF 1934**.

**EXCHANGE TRADED FUND (ETF)** – A security that tracks an index, a commodity or a basket of assets similar to an index fund, but trades like a stock on an exchange. An ETF holds assets such as stocks, commodities or bonds.

**EXCISE TAX** – A tax levied upon the manufacture, sale or consumption of commodities, upon the license to pursue certain occupations, or upon corporate privileges within a taxing jurisdiction. Examples of such taxes include taxes on alcohol and cigarettes. **See: TAX**.

**EXECUTING BROKER SYMBOL (EBS)** – A symbol, also known as a market participant identifier (MPID), issued to broker-dealers by NASDAQ for the purpose of identifying municipal securities dealers that execute municipal securities transactions reported to the MSRB's Real-Time Transaction Reporting System.

**EXEMPT FACILITY BOND** – See: **PRIVATE ACTIVITY BOND** – Exempt facility bond.

**EXEMPT SECURITIES or EXEMPTED SECURITIES** – Securities not subject to the registration requirements of the Securities Act of 1933 or the reporting requirements of the Securities Exchange Act of 1934. In general, U.S. government securities, agency securities and municipal securities are exempted from such requirements. **Compare: REGISTERED BOND**.

**EX-LEGAL or EX-LEGAL DELIVERY** – A delivery of securities in physical form in the secondary market without a copy of the legal opinion being provided. **See: GOOD DELIVERY**.

**EXPECTED AVERAGE LIFE** – The average life of a security (e.g., a super sinker) that can be redeemed prior to maturity on other than a scheduled basis. The expected average life is calculated based on an estimation of the likely timing and amounts of redemptions occurring prior to maturity. **See: AVERAGE LIFE; PLANNED AMORTIZATION CLASS BOND; SUPER SINKER**.

**EXTENDED PRINCIPAL AMOUNT** – The total principal amount of a trade that is calculated by multiplying the quantity purchased by the price of the security. In the case of certain asset-backed or mortgage-backed securities, this result must be multiplied by a factor that represents the then-current principal amount remaining outstanding, expressed as a decimal. **See: FINAL MONIES**.

**EXTENDED SETTLEMENT** – Agreement between a buyer and seller of securities to make delivery of securities on a date that is later than regular-way settlement. **Compare: CASH TRADE; FAIL; REGULAR WAY TRADE**.

**EXTRAORDINARY CALL OR REDEMPTION** – A mandatory or optional redemption triggered by the occurrence of certain one-time or extraordinary events specified in the bond contract. An extraordinary redemption may be triggered by, among other things, bond proceeds remaining unexpended by a specified date or the loss of the facility financed with the proceeds of the bonds by fire or damage or by eminent domain taking. **See: REDEMPTION PROVISIONS**.



**FACE AMOUNT** – The original maturity amount of a bond. **See: PAR VALUE. Compare: FACTOR BOND.**

**FACTOR** – A decimal value reflecting a proportion of the outstanding principal value of factor bonds, which changes over time.

**FACTOR BONDS** – A bond for which partial redemptions are processed by a proportional return of principal to each bondholder. Subsequent to the redemption, the factor must be applied to the face value in order to determine interest payments as well as the principal amount for each future transaction. **See: FACTOR**

**FAIL** – A transaction between two parties on which delivery does not take place on the settlement date. A transaction in which a municipal securities dealer has yet to deliver securities is referred to as a “fail to deliver.” A transaction in which a municipal securities dealer has not yet received securities is referred to as a “fail to receive.” **Compare: EXTENDED SETTLEMENT.**

**FAILED AUCTION** – If the auction agent for auction rate securities does not receive sufficient orders to purchase all the securities being sold at auction, an auction is deemed to have failed and existing owners that have submitted sell orders will not be able to sell such securities in that auction. All holders will receive the “fail rate” for the next rate period. **See: AUCTION RATE SECURITIES.**

**FAIL RATE** – In the case of a failed auction (buy orders are less than sell orders) for auction rate securities, the rate for the next period is set at the “fail rate” as defined in the bond contract, typically based on a specified index or a fixed rate. **See: AUCTION RATE SECURITIES.**

**FAIR DEALING** – The requirement under MSRB Rule G-17 that all municipal securities dealers and municipal advisors deal fairly with all persons and not engage in deceptive, dishonest or unfair practices.

**FAIRNESS LETTER or FAIRNESS OPINION** – A letter or opinion prepared by a financial advisor, pricing advisor or similarly qualified person opining on the fairness of the price paid by the underwriters to the issuer in connection with a new issue of municipal securities or paid by purchasers of assets. The

term also sometimes refers to similar letters delivered by an investment banker, financial advisor or similarly qualified person regarding the fairness of the price being paid by an issuer or conduit borrower for assets being purchased with bond proceeds or for the pricing terms of swap agreements or other arrangements entered into by an issuer. **See: FINANCIAL ADVISOR; PRICING ADVISOR.**

**FAST AUTOMATED SECURITIES TRANSFER (FAST)** – An arrangement between The Depository Trust and Clearing Corporation and transfer agents to hold securities registered in DTC's nominee Cede & Co. in book-entry form. FAST minimizes certificate movements and streamlines transfer processing by recording the securities in book-entry form on the books and records of the issuer's transfer agent and further reconciling these securities through automated data feeds. In most cases transfer agents maintain one immobilized jumbo certificate representing the entire DTC position per issue.

**FEASIBILITY CONSULTANT** – An expert that prepares a feasibility study. **See: FEASIBILITY STUDY.**

**FEASIBILITY STUDY** – A report or study detailing the economic practicality of and the need for a proposed program, service or project. It frequently analyzes the market or demand for the program, project or service being considered, historical revenues and expenditures for the same or comparable facilities, and, based upon assumptions, makes forecasts or projections of financial performance or other operating statistics. The feasibility study may include a user or other rate analysis to provide an estimate of revenues that will be generated for the purpose of substantiating that debt service can be met from pledged revenues. In addition, the feasibility study may provide details of the physical, operating, economic or engineering aspects of the proposed project, including estimates of or assumptions regarding construction costs, completion dates and drawdown schedules. **See: FEASIBILITY CONSULTANT.**

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)** – Federal agency that guarantees (within limits) funds on deposit (other than securities) in member banks and thrift institutions, and performs other functions relating to the safety and soundness of its member institutions. The FDIC also enforces MSRB rules applicable to its member banks (other than banks that are members of the Federal Reserve System) that are municipal securities dealers. **Compare: FEDERAL RESERVE BOARD; OFFICE OF THE COMPTROLLER OF THE CURRENCY.**

**FEDERAL RESERVE BOARD** – The Board of Governors of the Federal Reserve System, which is the federal agency responsible for making national monetary policy and supervising and regulating certain banking institutions. In addition, the Federal Reserve Board enforces MSRB rules applicable to the system's member banks that are municipal securities dealers. **Compare: FEDERAL DEPOSIT INSURANCE CORPORATION; OFFICE OF THE COMPTROLLER OF THE CURRENCY.**

**FIDUCIARY** – A party having the duty of acting in a capacity of special trust for the benefit and in the best interests of another.

**FINAL MONIES** – Information required to be included by a municipal securities dealer in a confirmation of a transaction in municipal securities with a customer relating to, among other things, the total dollar amount of the transaction, accrued interest, extended principal amount, and transaction-based commission or other fees paid by the customer to the municipal securities dealer. **See: ACCRUED INTEREST; COMMISSION; CONFIRMATION; EXTENDED PRINCIPAL AMOUNT.**

**FINAL OFFICIAL STATEMENT** – **See: OFFICIAL STATEMENT.**

**FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)** – A standard-setting body that prescribes authoritative standards of financial accounting and reporting practices of private sector entities. **See: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. Compare: GOVERNMENTAL ACCOUNTING STANDARDS BOARD.**

**FINANCIAL ADVISOR** – (1) With respect to a new issue of municipal securities, commonly refers to an individual or firm that advises the issuer or other obligated person on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to a new issue of municipal securities, such as advising on cash flow and investment matters in connection with outstanding municipal securities. The financial advisor is sometimes referred to as a “fiscal consultant” or “fiscal agent.”

(2) An investment professional who advises customers on the purchase and sale of securities. **See: MUNICIPAL ADVISOR. Compare: PRICING ADVISOR; SWAP ADVISOR.**

**FINANCIAL DEFEASANCE** – **See: DEFEASANCE.**

**FINANCIAL GUARANTEE** – **See: BOND INSURANCE; CREDIT ENHANCEMENT; CREDIT FACILITY.**

**FINANCIAL GUARANTOR** – **See: BOND INSURER.**

**FINANCIAL AND OPERATIONS PRINCIPAL (FINOP)** – A person associated with a broker-dealer who has supervisory responsibility for the firm’s compliance with record keeping, net capital, customer protection and financial reporting rules. Such persons must qualify by means of an examination.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)** – A self-regulatory organization, formerly known as the National Association of Securities Dealers (NASD), that enforces MSRB rules applicable to the municipal securities activities of its member broker-dealers, administers the MSRB’s professional qualification examinations and handles arbitration proceedings relating to municipal securities for its member broker-dealers and for bank dealers. FINRA also adopts rules governing the conduct of its members with respect to most types of securities other than municipal securities.

**FINS NUMBER (FINANCIAL INDUSTRY NUMBER STANDARD)** – A unique identifier assigned by the Depository Trust and Clearing Corporation to each bank, broker-dealer, insurance company, mutual fund, money manager, transfer agent and other institution engaged in securities processing. **Compare: LEGAL ENTITY IDENTIFIER.**

**FIRM BID OR OFFER** – **See: FIRM PRICE**

**FIRM ELEMENT** – **See: CONTINUING EDUCATION.**

**FIRM OR FIRM PRICE** – A situation where a specified bid or offer price will be honored for a specified period of time (i.e., “firm”) and will be the price of any transaction executed with the party to whom the price is given during that period. A firm bid or offer may sometimes be subject to a “recall,” either immediately upon notice or after a specified period. Alternatively, the bid or offer might be “firm, fill or kill,” in which case the municipal securities dealer has the right to contact the counterparty and inform it that it must execute a transaction immediately or the bid or offer will be withdrawn. **See: QUOTATION. Compare: SUBJECT BID/OFFER.**

**FIRST COUPON OR FIRST INTEREST PAYMENT** – The date on which an issuer’s initial interest payment to bondholders on a particular security is due. **See: LONG COUPON; SHORT COUPON.**

**FISCAL YEAR** – A 12-month period at the end of which financial position and results of operations of an entity are determined. Financial reporting, budgeting and accounting periods are determined on the basis of the applicable fiscal year, which may not be a calendar year. **Compare: BOND FISCAL YEAR.**

**FIXED INCOME CLEARING CORPORATION (FICC)** – A subsidiary of DTCC that processes fixed income transactions.

**FIXED INCOME SECURITY** – A security evidencing an indebtedness on the part of the obligor and having the basic characteristic of providing for periodic payments of interest and repayment on a specified date of the principal amount of the security. Certain forms of indebtedness that do not provide for periodic payments of a fixed amount of interest income (e.g., variable rate demand obligations, zero coupon bonds) nonetheless generally are considered to be fixed income securities.

**FIXED RATE** – An interest rate on a security that does not change for the remaining life of the security. **Compare: VARIABLE RATE.**

**FIXED-TO-FLOATING RATE SWAP** – An agreement whereby an issuer synthetically converts fixed rate debt into variable rate debt through an interest rate swap or similar arrangement. In this process, the issuer makes payments to the counterparty at a variable rate determined according to the terms of the swap while the counterparty pays a fixed rate also according to the terms of the swap, which may be equivalent to the rate due to bondholders as determined under the bond contract. **See: INTEREST RATE SWAP CONTRACT. Compare: FLOATING-TO-FIXED RATE SWAP.**

**FLAT** – A designation that a particular transaction has been effected on terms that do not include accrued interest. Securities in default as to payments of interest generally trade flat.

**FLIPPING** – The immediate resale of allotted bonds in a primary offering, which may involve a prearranged trade, where the initial purchaser does not intend to hold the bonds for investment purposes but instead expects to make a profit from such immediate resale. **See: PREARRANGED TRADING.**

**FLOAT CONTRACT** – A contract between an issuer and a counter-party whereby the counter-party guarantees a rate of reinvestment return on specified funds (e.g., funds temporarily available between the time that investments mature or are otherwise paid and the time that such funds can be reinvested) in one or more funds or accounts under a bond contract or escrow deposit agreement.

**FLOATER** – A colloquial term for a security with a variable or “floating” interest rate. **See: LOWER FLOATER; VARIABLE RATE; VARIABLE RATE DEMAND OBLIGATION. Compare: INVERSE FLOATER.**

**FLOAT FUND** – A fund in which funds are deposited for temporary periods between the time that investments mature or are otherwise paid and the time that such funds can be reinvested.

**FLOATING RATE** – **See: VARIABLE RATE.**

**FLOATING RATE NOTE** – A debt instrument with a variable rate of interest that resets at specified intervals at a predetermined spread to an index or formula.

**FLOATING-TO-FIXED RATE SWAP** – An agreement whereby an issuer synthetically converts variable rate debt to fixed rate debt through an interest rate swap or similar arrangement. In this process, the issuer makes payments to the counterparty at a fixed rate according to the terms of the swap and the counterparty makes payments on a variable rate or rates according to the terms of the swap, which may be equivalent to the rates payable to bondholders under the bond contract. **See: INTEREST RATE SWAP CONTRACT. Compare: FIXED-TO-FLOATING RATE SWAP.**

**FLOOR** – **See: INTEREST RATE FLOOR.**

**FLOW OF FUNDS** – The order and priority of handling, depositing and disbursing pledged revenues, as set forth in the bond contract. Generally, pledged revenues are deposited, as received, into a general collection account or revenue fund established under the bond contract for disbursement into the other accounts established under the bond contract. Such other accounts generally provide for payment of the costs of debt service, debt service reserve deposits, operation and maintenance costs, renewal and replacement and other required amounts. Described below are funds and accounts commonly used in bond contracts. Not all such funds and accounts may exist in every bond contract and other funds and accounts not described below may be created under a particular bond contract:

**Bond Fund** – An alternate name for the Debt Service Fund. **See: FLOW OF FUNDS – Debt Service Fund.**

**Debt Service Fund** – A fund into which the issuer makes periodic deposits to assure the timely availability of sufficient funds for the payment of debt service requirements. Typically, the amounts of the revenues to be deposited into the debt service fund and the timing of such deposits are structured to ensure a proper matching between debt service fund deposits and debt service payments becoming due. For many issues, the debt service fund may contain a separate “principal account” and “interest account” in which funds for such respective purposes are held. In addition, the debt service fund for many variable rate securities may contain a “letter of credit account,” a “swap payments account” or “reimbursement account” in which funds are held to reimburse the issuer of a liquidity facility for draws made to pay amounts owing on the securities, or payments due under a swap agreement. **See: DEBT SERVICE SCHEDULE.**

**Debt Service Reserve Fund or Reserve Fund** – A fund in which funds are placed to be applied to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds at the time of issuance, may be funded over time through the accumulation of pledged revenues, may be funded with a surety or other type of guaranty policy (described below), or may be funded only upon the occurrence of a specified event (e.g., upon failure to comply with a covenant in the bond contract) (a “springing reserve”). Issuers may sometimes authorize the provision of a surety bond or letter of credit to satisfy the debt service reserve fund requirement in lieu of cash. If the debt service reserve fund is used in whole or part to pay debt service, the issuer usually is required to replenish the fund from the first available revenues, or in periodic repayments over a specified period of time. **See: DEBT SERVICE RESERVE FUND REQUIREMENT.**

**Mandatory Redemption Fund** – A fund into which the issuer is required to make periodic deposits of funds to be used to pay the costs of calling bonds in accordance with the mandatory redemption schedule in the bond contract or to purchase bonds in the open market in satisfaction of such mandatory redemption requirement. This term is sometimes used interchangeably with the term “sinking fund.” **See: FLOW OF FUNDS – Sinking Fund.**

**Operations and Maintenance Fund (O&M)** – A fund into which funds are deposited to be used for the purpose of meeting the costs of operation and maintenance of the issuer or the financed project.

**Rebate Fund** – Fund into which funds are distributed to pay amounts due to the federal government from arbitrage earnings on bond proceeds and certain other funds as required under the Internal Revenue Code with respect to tax-exempt bonds or other federally tax-advantaged bonds. **See: ARBITRAGE REBATE; ARBITRAGE EARNINGS.**

**Renewal and Replacement Fund** – A fund into which funds are deposited to cover anticipated expenses for major repairs of the issuer’s facilities or a project whose revenues are pledged to

the bonds or for repair and replacement of related equipment. **Compare: FLOW OF FUNDS – Reserve Maintenance Fund.**

**Reserve Maintenance Fund** – A fund into which funds are deposited to cover extraordinary maintenance or repair expenses of the issuer or a project whose revenues are pledged to the bonds. The fund is intended to protect the bondholders by ensuring against interruptions of operation of the issuer or financed project due to unavailability of funds to pay for repairs of unexpected damage or breakdown. In some cases, a single fund may serve the purposes of the Reserve Maintenance Fund and the Renewal and Replacement Fund. **Compare: FLOW OF FUNDS – Renewal and Replacement Fund.**

**Revenue Fund** – A fund into which pledged revenues are initially placed and from which the funds for all other funds are drawn. **See: PLEDGED REVENUES.**

**Sinking Fund** – A fund into which funds are placed to be used to redeem securities in accordance with a redemption schedule in the bond contract. This term is sometimes used interchangeably with the term “mandatory redemption fund.” **See: FLOW OF FUNDS – Mandatory Redemption Fund.**

**Surplus Fund** – A fund into which are funds remaining after operations and maintenance expenses, sinking fund, debt service reserve and other mandated distributions have been satisfied are deposited. In some cases, funds in this fund may be used for various specified purposes related to the bond issue or the facilities financed with proceeds of the bond issue. In other cases, such funds may be used for any lawful purposes of the issuer or for such specific unrelated purposes as provided in the bond contract.

**FOCUS REPORT** – A document summarizing information concerning a broker-dealer’s financial and operational status that a broker-dealer is required to file with its regulatory authority on a periodic basis. Part I (an abbreviated listing of essential data) is filed monthly; Part II (a more detailed reporting including a balance sheet and income statement) is filed quarterly and annually. The term is derived from the acronym for “Financial and Operational Combined Uniform Single” report.

**FORMAL AWARD** – The formal written agreement and/or official action by the issuer selling a new issue of municipal securities to the underwriter and setting forth the terms of the issue. **See: AWARD; BOND PURCHASE AGREEMENT. Compare: VERBAL AWARD.**

**FORWARD DELIVERY** – **See: EXTENDED SETTLEMENT.**

**FORWARD DELIVERY AGREEMENT** – **See: FORWARD.**

**FORWARD OR FORWARD CONTRACT** – A contract (variously known as a forward contract, forward delivery agreement or forward purchase contract) wherein the buyer and seller agree to settle their respective obligations at some specified future date based upon the current market price at the time the contract is executed. A forward may be used for any number of purposes. For example, a forward may provide for the delivery of specific types of securities on specified future dates at fixed yields for the purpose of optimizing the investment of a debt service reserve fund. A forward may provide for an issuer to issue and an underwriter to purchase an issue of bonds on a specified date in the future for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

**FORWARD PURCHASE CONTRACT** – **See: FORWARD.**

**FORWARD REFUNDING** – **See: ADVANCE REFUNDING.**

**FORWARD SWAP AGREEMENT** – An agreement whereby two parties enter into an interest rate swap agreement to begin at a future date. **See: INTEREST RATE SWAP CONTRACT.**

**FRONT-END LOAD** – A sales charge or commission payable by an investor at the time of purchase of a municipal fund security. **See: COMMISSION; LOAD; MUNICIPAL FUND SECURITY. Compare: BACK-END LOAD.**

**FULL CASH or GROSS REFUNDING** – A method of refunding in which the proceeds of refunding bonds and any other available money, without reinvestment, will provide sufficient funds to pay debt service on the refunded bonds. **Compare: NET CASH REFUNDING.**

**FULL DISCLOSURE** – The principle that accurate and complete information material to a securities transaction that an investor would be likely to consider important in making investment decisions must be made available to the investor. Material information may include descriptions of the issuer or other obligor, including operating and financial data, as well as the structure of and security for the issue. The material facts pertinent to a new issue of municipal securities normally are disclosed in the official statement or other offering documents. **See: CONTINUING DISCLOSURE; DUE DILIGENCE; MATERIAL OMISSION; RULE 10b-5; RULE 15c2-12.**

**FULL FAITH AND CREDIT** – A term normally used in connection with general obligation bonds to express the commitment of the issuer to repay the bonds from all legally available funds, including a good faith commitment to use its legal powers to raise revenues to pay the bonds, although the precise nature of such commitment may vary considerably from issuer to issuer depending on applicable state or local law. However, some issuers may issue full faith and credit bonds without stating that such bonds are general obligations. In some cases, such full faith and credit bonds may be indistinguishable from typical general obligation bonds, while other full faith and credit bonds may be expressly distinguished from general obligation bonds with potentially differing sources and priority of payments, depending on applicable state or local law. **See: GENERAL OBLIGATION BOND.**

**FULLY DISCLOSED** – **See: CLEARING BROKER.**

**FULLY REGISTERED** – A security that has been registered as to both principal and interest. Such securities are payable only to the owner, or to order of the owner, whose name is noted on records of the issuer or its agent. **See: BOND REGISTER; REGISTERED BOND; REGISTRAR. Compare: BEARER BOND.**

**FUNDED INTEREST** – **See: CAPITALIZED INTEREST.**

**FUNGIBLE** – A term referring to the interchangeability of financial instruments having effectively identical features.

**FUTURES CONTRACT** – An agreement whereby two parties agree to buy and sell the value of a commodity or security for settlement at a future date. Generally, there is no physical delivery of the underlying commodity or security; rather, settlement is made on a cash basis. Futures are generally exchange-traded. Futures contracts relating to municipal securities are generally referred to as bond futures.





**GARVEE BOND** – A colloquial term for a grant anticipation revenue obligation. Garvee bonds are authorized under the National Highway System Designation Act of 1995 as a mechanism for allowing state and local agencies to issue debt for transportation projects using future federal highway funds to repay the principal, interest, and any other costs associated with the issuance of the debt. **Compare:** **NOTE – Grant anticipation notes.**

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** – Standards adopted by the Financial Accounting Standards Board (FASB) for preparing financial statements of private enterprises and by the Governmental Accounting Standards Board (GASB) for preparing financial statements of state and local governments. While FASB GAAP is required for the preparation of financial statements for publicly traded companies in the United States, some states do not require implementation of GASB GAAP, in whole or in part, by governmental entities within such states. **See: FINANCIAL ACCOUNTING STANDARDS BOARD; GOVERNMENTAL ACCOUNTING STANDARDS BOARD.**

**GENERAL OBLIGATION BOND OR GO BOND** – Typically refers to a bond issued by a state or local government that is payable from general funds of the issuer, although the precise source and priority of payment for general obligation bonds may vary considerably from issuer to issuer depending on applicable state or local law. Most general obligation bonds are said to entail the full faith and credit (and in many cases the taxing power) of the issuer, depending on applicable state or local law. General obligation bonds issued by local units of government often are payable from (and in some cases solely from) the issuer's ad valorem taxes, while general obligation bonds issued by states often are payable from appropriations made by the state legislature. **See: FULL FAITH AND CREDIT; LIMITED TAX GENERAL OBLIGATION BOND; UNLIMITED TAX BOND. Compare: LIMITED TAX BOND; MORAL OBLIGATION BOND; REVENUE BOND; SPECIAL ASSESSMENT BOND; SPECIAL OBLIGATION BOND; SPECIAL TAX BOND.**

**GLOBAL CERTIFICATE** – A single certificate, sometimes referred to as a "jumbo certificate," representing an entire maturity of an issue of securities. Such certificates are often used in book-entry systems. The issuer issues a global certificate that is then lodged in the facilities of a depository or other

book-entry agent for safekeeping by the agent until maturity or redemption. The securities are available to beneficial owners only in book-entry form and no certificates can be obtained. **See: BOOK-ENTRY ONLY.**

**GOING AWAY ORDER** – An order for securities (usually new issue municipal securities) that is from an investor rather than from a municipal securities dealer seeking to purchase the securities for trading inventory.

**GOOD DELIVERY** – The presentation by a municipal securities dealer of securities sold to a purchaser that are in acceptable form for delivery purposes under MSRB rules. The delivery standards cover such matters as the criteria for fungibility of securities, denominations, delivery of legal opinions and other required documents, and other similar matters. **See: EX-LEGAL; SETTLEMENT.**

**GOOD FAITH DEPOSIT** – A sum of money or surety bond provided to an issuer of a new issue of municipal securities by an underwriter or underwriting syndicate as an assurance of performance on its offer to purchase the issue. Good faith deposits may be required in connection with competitive sales and sometimes in connection with negotiated sales.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** – A standard-setting body, associated with the Financial Accounting Foundation and comparable to the Financial Accounting Standards Board. GASB establishes standard of financial accounting and reporting practices for state and local governmental units. **See: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. Compare: FINANCIAL ACCOUNTING STANDARDS BOARD.**

**GRANT ANTICIPATION NOTE (GAN)** – **See: NOTE – Grant anticipation notes.**

**GROSS PLEDGE** – **See: PLEDGED REVENUES.**

**GROSS REFUNDING** – **See: ADVANCE REFUNDING.**

**GROSS REVENUE PLEDGE** – **See: PLEDGED REVENUES.**

**GROSS REVENUES** – **See: PLEDGED REVENUES.**

**GROSS SPREAD** – **See: SPREAD.**

**GROSS UNDERWRITING SPREAD** – **See: SPREAD.**

**GROSS-UP CLAUSE** – A provision in the bond contract in which the issuer agrees to pay a higher rate of interest in the event of the occurrence of certain events, typically where interest on bonds issued as tax-exempt bonds becomes taxable. The provision may call for a higher rate of interest for on-going payments of interest to bondholders and may also provide for a payment to bondholders intended to make the total of prior interest payments made to the bondholders equal to the amount that would have been payable had the bonds previously borne interest at the higher rate.

**GROUP NET ORDER** – **See: PRIORITY PROVISIONS.**

**GUARANTEED INVESTMENT CONTRACT (GIC)** – An investment, secured by a contract with a financial institution, that guarantees a fixed rate of return and a fixed maturity.



**HAIRCUT** – In the computation of net capital for purposes of SEC rules, the amount that a broker-dealer must deduct from its net worth in connection with each long or short inventory position it maintains in securities. The haircut may be considered a reserve against loss due to a subsequent decline in the market value of the securities. **See: NET CAPITAL RULE.**

**HEDGE** – An investment entered into to reduce or offset the risk of adverse price movements in a security by taking an offsetting position in another investment.

**HIDDEN CALENDAR** – Potential new issues of municipal securities that have not been publically announced. These issues may be interest-rate sensitive or are pending the occurrence of a particular event or legal ruling. **Compare: SHADOW CALENDAR.**

**HIGH-YIELD BOND** – A bond that is typically non-rated or rated below investment grade. High-yield bonds trade at higher yields than investment grade securities. **See: NON-INVESTMENT GRADE. Compare: INVESTMENT GRADE.**

**HIGH-YIELD BOND FUND** – A bond fund in which a substantial portion of the assets in the portfolio are invested in high-yield bonds. **See: BOND FUND; HIGH-YIELD BOND.**

**HOUSING REVENUE BOND** – A bond issued to finance multi-family housing projects or single-family home mortgages secured by the payment of the underlying mortgage loans.

***Single family mortgage revenue bonds*** – Bonds issued to finance mortgage loans on single-family homes, either directly by purchasing newly originated or existing mortgage loans or indirectly by allowing lenders to purchase mortgage loans using bond proceeds. Such mortgage loans generally are targeted to first-time homeowners meeting certain income and purchase price requirements. Repayment of the mortgages may be further secured by federal programs or through private mortgage insurance. **See: PRIVATE ACTIVITY BOND – Qualified mortgage bonds.**

**Multi-family housing revenue bonds** – Bonds issued to finance construction or rehabilitation of multi-family housing projects where a specified proportion of the units will be rented to moderate- and low-income families, in some cases specifically targeted toward elderly residents. These securities may provide financing either directly or through a loans-to-lenders program, and may be secured, in whole or in part, by federal agency guarantees or subsidies. **See: LOANS-TO-LENDERS PROGRAM; PRIVATE ACTIVITY BOND – Exempt facility bonds.**



**INDEMNIFICATION** – The assumption by one party to a securities transaction of responsibility to pay or reimburse the costs, expenses and other liabilities incurred by another party for certain specifically enumerated events or occurrences.

**INDENTURE** – A contract between the issuer of municipal securities and a trustee for the benefit of the bondholders. The trustee administers the funds or property specified in the indenture in a fiduciary capacity on behalf of the bondholders. The indenture, which is generally part of the bond contract, establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the security for the bonds. The trustee is generally empowered to enforce the terms of the indenture on behalf of the bondholders. In many governmental issues (particularly for general obligation bonds and some types of limited tax bonds and revenue bonds), the issuer may forego using an indenture and set forth the duties of the issuer and the rights of bondholders in the bond resolution. In certain transactions, the indenture may be called a “trust agreement.” **See: BOND CONTRACT; TRUSTEE. Compare: BOND RESOLUTION.**

**INDEX BONDS** – (1) Bonds whose trading activity is monitored and included as part of an index of actively traded bonds.

(2) A debt instrument with a variable rate of interest that resets periodically based on a fixed spread to a specified index.

**INDEX or INDEXED FUND** – A portfolio structured and managed to approximate the performance of an index, or a portfolio composed of securities used in a given index.

**INDEX or INDICES** – Indicators published on a periodic basis that show the estimated price and/or yield levels for various groups of municipal securities. Indices may represent daily, weekly or monthly averages.

**INDICATION** – The approximate market value of a security, provided for informational purposes only. Sometimes referred to as a nominal quotation, an indication does not represent an actual bid for or offer of securities. **Compare: WORKABLE.**

**INDICATION OF INTEREST (IOI)** – A non-binding presale expression of interest in a forthcoming new issue.

**INDUCEMENT RESOLUTION** – The first “official action” or evidence of official intent indicating an issuer’s intent to issue certain types of private activity bonds. The proceeds of such bonds generally may be used on a tax-exempt basis only to finance capital costs of a project incurred after official action has been taken toward issuing the bonds, and therefore capital costs paid or incurred in connection with the acquisition and construction of the project prior to the inducement resolution may not be reimbursed (subject to certain limited exceptions). **See: REIMBURSEMENT RESOLUTION; RESOLUTION. Compare: AUTHORIZING RESOLUTION.**

**INDUSTRIAL DEVELOPMENT BOND (IDB)** – A private activity bond issued by state and local governments on behalf of non-governmental corporations and businesses. **See: CONDUIT FINANCING; PRIVATE ACTIVITY BOND.**

**INFORMATION BARRIER** – Process designed to restrict the flow of information between various parts of a securities firm to ensure that material, non-public information regarding a security is not inappropriately shared. Information barriers are sometimes referred to as “ethical walls” or “firewalls.” **See: INSIDER TRADING; RULE 10b-5.**

**INFORMATION STATEMENT** – In connection with the offering of shares or units in a local government investment pool, the issuer’s disclosure document. **See: LOCAL GOVERNMENT INVESTMENT POOL. Compare: OFFERING CIRCULAR; OFFICIAL STATEMENT.**

**INITIAL OFFERING PRICE** – The price at which a new issue of municipal securities is offered to the public at the time of original issuance. This price is sometimes referred to as the “public offering price.” The initial offering price may be at a discount to par, par or a premium to par.

**INITIAL PRICING WIRE** – **See: PRICING WIRE.**

**INSIDER TRADING** – Conduct in violation of federal securities laws whereby a person buys or sells a security, in breach of a fiduciary duty or other relationship of trust and confidence, on the basis of material, non-public information. Insider trading also may occur when, in breach of a fiduciary duty, a person discloses such material, non-public information to a third-party who buys or sells a security on the basis of such information. **See: INFORMATION BARRIER; RULE 10b-5.**

**INTER-DEALER TRADE or TRANSACTION** -- A trade between two municipal securities dealers in transactions as agent or principal. **Compare: CUSTOMER TRADE.**

**INTEREST** – The amount paid by a borrower as compensation for the use of borrowed money. Issuers of municipal bonds pay interest on funds borrowed from purchasers of their bonds. This amount is generally calculated as an annual percentage of the principal amount. **See: ACCRUED INTEREST; INTEREST RATE. Compare: PRINCIPAL.**

**INTEREST ACCOUNT** – **See: FLOW OF FUNDS – Debt Service Fund.**

**INTEREST CLAIM** – A request that a person who received an interest payment on a security, but was not entitled to it, forward the proceeds of the payment to the rightful recipient. **See: INTEREST PAYMENT DATE; RECORD DATE.**

**INTEREST PAYMENT DATE** – The date on which interest payments are due to be made to bondholders. Fixed rate current interest paying bonds typically have semi-annual interest payment dates. Variable

rate securities often have monthly interest payment dates but also may have interest payment dates occurring at other intervals.

**INTEREST RATE** – The annual rate, expressed as a percentage of principal, payable for use of borrowed money. **See: COUPON. Compare: PRICE; YIELD.**

**INTEREST RATE CAP or CEILING or CAP** – (1) Used typically on variable rate debt, the maximum interest rate that can be paid on the debt (often determined by state law), regardless of whether the method for determining the variable rate would otherwise provide for a higher rate of interest.

(2) An agreement for a derivative transaction entered into by the issuer or obligor of variable rate debt in which the counter-party agrees to pay any portion of the interest to be paid on the debt that exceeds a specified interest rate or strike price. A cap creates an upper limit on the interest rate cost to the issuer or obligor of variable rate debt without establishing a maximum interest rate payable to the holders of the debt. **Compare: COLLAR; INTEREST RATE FLOOR.**

**INTEREST RATE FLOOR** – (1) Used typically on variable rate debt, the minimum interest rate that can be paid on the debt, regardless of whether the method for determining the variable rate would otherwise provide for a lower rate of interest.

(2) Typically used as part of an interest rate collar for variable rate debt, an interest rate floor is an agreement whereby the issuer agrees to pay a stated rate of interest even if the actual rate on the variable rate debt is lower. The interest rate floor agreement is entered into with a third-party who typically pays the issuer an upfront fee in exchange for the right to collect the difference between the interest rate floor and the actual lower rate on the debt. **See: COLLAR. Compare: INTEREST RATE CAP.**

**INTEREST RATE SWAP CONTRACT or AGREEMENT** – A specific derivative contract entered into by an issuer or obligor with a swap provider to exchange periodic interest payments. Typically, one party agrees to make payments to the other based upon a fixed rate of interest in exchange for payments based upon a variable rate. The swap contract may provide that the issuer will pay to the swap counter-party a fixed rate of interest in exchange for the counter-party making variable payments equal to the amount payable on the variable rate debt. **See: FIXED-TO-FLOATING RATE SWAP; FLOATING-TO-FIXED RATE SWAP; INTEREST RATE FLOOR; FORWARD SWAP AGREEMENT; INTEREST RATE CAP. Compare: SWAP.**

**INTERIM (PERIOD) FINANCIAL STATEMENTS** – Unaudited financial statements, sometimes known as “stub period financials,” often included in the official statement for a new issue of municipal securities covering the interim period since the most recent audited financial statement for the issuer or conduit borrower. **Compare: AUDITED FINANCIAL STATEMENT.**

**INTERMEDIATE RANGE** – A designation given to the maturities of a serial issue between the short-term maturities and the long-term maturities. Typically, the intermediate range on the yield curve consists of bonds maturing in three to 15 years. **See: YIELD CURVE. Compare: LONG TERM; SHORT TERM.**

**INTERNAL REVENUE CODE (CODE)** – The Internal Revenue Code of 1986, as amended from time to time. The exclusion of interest on tax-exempt bonds from gross income for federal income tax purposes derives from Section 103 of the Code and is subject to certain conditions set forth in Sections 141 through 150, and certain other provisions, of the Code.

**INTRODUCING BROKER** – A municipal securities dealer that effects transactions with its customers through a clearing broker and does not hold customer funds or securities. **See: CLEARING BROKER.**

**INVERSE FLOATER** – A variable rate derivative security whose coupon rate changes in the opposite direction from the change in the reference rate used to calculate the coupon rate. Inverse floaters are issued in conjunction with floaters, with the variable rate on the inverse floater equal to a fixed percentage rate less the then-current rate (i.e., the reference rate) on the floater. Thus, the rate on the inverse floater increases as the rate on the floater decreases, and vice versa. **See: LINKED SECURITIES. Compare: FLOATER.**

**INVESTED SINKING FUND or INVESTED SINKER** – A fund under the bond contract into which periodic sinking fund payments are made by an issuer to the trustee, with such funds invested and held in trust for the final maturity payments on the bonds. **See: FLOW OF FUNDS – Sinking Funds.**

**INVESTMENT GRADE** – A security that, in the opinion of the rating agency, has a relatively low risk of default. **See: RATINGS. Compare: HIGH-YIELD BOND; NON-INVESTMENT GRADE; NON-RATED SECURITY.**

**INVESTOR LETTER** – A letter signed by an investor acknowledging the risks associated with the securities being purchased and usually containing certain representations of the investor as to the investor's net worth, sophistication and access to information. An issuer and underwriter may sometimes require an investor letter in connection with more risky securities that they believe should be held only by investors with sufficient resources and market sophistication to understand and bear the risks involved in such investment. This letter is sometimes referred to as a "big boy letter" or "sophisticated investor letter." When used in a private placement, this letter may be referred to as a "private placement letter." Some letters may be said to "travel" if they include a representation on the part of the investor to the effect that, if the investor resells the securities, it will require the purchaser to sign an investor letter. Such a letter is often referred to as a "traveling letter."

**INVISIBLE SUPPLY** – **See: HIDDEN CALENDAR.**

**IN-WHOLE CALL** – **See: REDEMPTION PROVISIONS.**

**IRREVOCABLE LETTER OF INSTRUCTIONS** – A letter sometimes delivered by the issuer to the bond trustee and/or escrow agent appointed under an escrow deposit agreement setting forth the issuer's irrevocable instructions to apply funds held under the escrow deposit agreement to payment of debt service on a refunded issue of securities and to call such issue for redemption on a specified date. These instructions often are contained in the escrow deposit agreement itself, in which case an irrevocable letter of instructions is not necessary. **See: ESCROW DEPOSIT AGREEMENT.**

**ISSUANCE** – The process of authorizing, selling and delivering by the issuer of a new issue of municipal securities. **See: DELIVERY DATE.**

**ISSUANCE COSTS** – **See: COSTS OF ISSUANCE.**

**ISSUE** – Bonds or notes sold on a contemporaneous (or nearly contemporaneous) basis in one or more series that are authorized under the same bond contract. **Compare: SERIES OF BONDS.**

**ISSUE DATE** – The date on which bonds were issued.

**ISSUER** – A state, territory, political subdivision, municipality, or governmental agency or authority that raises funds through the sale of municipal securities. **Compare: CONDUIT ISSUER.**





**JOINT ACCOUNT** – An account that is formed to share ownership and risk among two or more municipal securities dealers for the purpose of purchasing and distributing an agreed-upon block or blocks of securities.

**JOINT MANAGER** – See: **MANAGER**.

**JUMBO CERTIFICATE** – See: **GLOBAL CERTIFICATE**.

**JUNIOR LIEN BONDS** – Bonds that have a claim against pledged revenues or other security subordinate to the claim against such pledged revenues or security of other obligations, also known as “subordinate lien bonds.” Compare: **PARITY BONDS**; **SENIOR LIEN BONDS**.



**KICKER BOND** – A callable high coupon bond sold at a premium and priced to a specific call date. The actual yield realized by the investor increases or “kicks up” if that call is not exercised. **See: CUSHION BOND.**



**LAND-BASED BOND OR LAND-SECURED BOND – See: DIRT BONDS.**

**LAND USE RESTRICTION AGREEMENT** – An agreement binding the parties to limit the use of property to a particular use for the term of the agreement. Land use restriction agreements (sometimes referred to as “regulatory agreements” or “tax regulatory agreements”) typically are used in connection with multi-family housing revenue bond issues or financings involving low-income housing tax credits to ensure that the financed facilities are used for low-income housing for the period required under federal tax laws. **See: HOUSING REVENUE BOND – Multi-family housing revenue bonds.**

**LEAD MANAGER – See: MANAGER.**

**LEASE PARTICIPATION – See: CERTIFICATE OF PARTICIPATION.**

**LEASE-PURCHASE AGREEMENT** – In the context of municipal finance, a financing agreement pursuant to which a governmental entity has the ability to acquire ownership of the leased property. The financing lease may be sold to investors in the form of certificates of participation. In contrast, under a true lease, the entity merely leases the property during the lease term. **See: CERTIFICATE OF PARTICIPATION. Compare: TRUE LEASE.**

**LEASE RENTAL, LEASE REVENUE or LEASEHOLD REVENUE BOND** – A bond that is secured by lease payments made by the party leasing the facilities that were financed by the bond issue. Typically, lease rental bonds are used to finance construction of facilities (e.g., schools or office buildings) used by a state or municipality. In many cases, lease payments may be subject to annual appropriation or will be made only from revenues associated with the facility financed. In other cases, the leasing state or municipality is obligated to appropriate funds from its general tax revenues to make lease payments as long as it utilizes the leased property. **See: ABATEMENT CLAUSE; ANNUAL APPROPRIATION PLEDGE; LEASE-PURCHASE AGREEMENT; NON-APPROPRIATION CLAUSE. Compare: CERTIFICATE OF PARTICIPATION.**

**LEGAL DEFEASANCE – See: DEFEASANCE.**

**LEGAL ENTITY IDENTIFIER (LEI)** – Unique identification numbers assigned by designated entities to financial market participants under an international initiative. **Compare: FINS NUMBER.**

**LEGAL INVESTMENT** – A security that meets the requirements of state laws restricting the investment practices of institutions (particularly savings banks) located in the state. **See: LEGAL INVESTMENT SURVEY. Compare: BLUE-SKY LAWS.**

**LEGAL INVESTMENT SURVEY** – A memorandum typically prepared by underwriter’s counsel that surveys the laws of the states with respect to whether the securities being offered by an underwriting syndicate are legal investments for specified types of entities. **See: LEGAL INVESTMENT. Compare: BLUE-SKY MEMORANDUM.**

**LEGAL OPINION** – The written conclusions of bond counsel that the issuance of municipal securities and the proceedings comply with applicable laws, that the municipal securities are legal, valid and enforceable obligations of the issuer and that, in the case of tax-exempt bonds, interest on the bonds is excluded from gross income of the bondholders for federal income tax purposes and, where applicable, from state and local taxation. Bond counsel’s legal opinion is often referred to as the “approving opinion” or “bond counsel opinion.” **See: BOND COUNSEL; QUALIFIED LEGAL OPINION; SPECIAL TAX COUNSEL; UNQUALIFIED LEGAL OPINION. Compare: 10b-5 OPINION.**

**LETTER OF CREDIT ACCOUNT** – **See: FLOW OF FUNDS – Debt Service Fund.**

**LETTER OF CREDIT (LOC)** – An irrevocable commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the letter of credit and any associated reimbursement agreement. A letter of credit is frequently used to provide credit and liquidity support for variable rate demand obligations and other types of securities. Bank letters of credit are sometimes used as additional sources of security for issues of municipal notes, commercial paper or bonds, with the bank issuing the letter of credit committing to pay principal of and interest on the securities in the event that the issuer is unable to do so. **See: CREDIT ENHANCEMENT; CREDIT FACILITY; LIQUIDITY FACILITY; REIMBURSEMENT AGREEMENT.**

**LEVEL DEBT SERVICE** – A debt service schedule in which the combined annual amount of principal and interest payments remains relatively constant over the life of the issue of bonds.

**EXAMPLE:**

*Level Debt Service Assumptions:*

Size of issue: \$10,000,000

Interest rate: 7 percent

Maturity of issue: 5 years

*Debt Service Schedule — change calculations*

YEARS	PRINCIPAL	INTEREST	TOTAL*
1	\$ 1,740,000	\$ 700,000	\$ 2,440,000
2	1,860,000	578,200	2,438,200
3	1,990,000	448,000	2,438,000
4	2,130,000	308,700	2,438,700
5	2,280,000	159,600	2,439,600
Total	\$ 10,000,000	\$ 2,194,500	\$ 12,194,500

\*Total of principal and interest remains substantially level throughout life of issue.

**See: DEBT SERVICE. Compare: LEVEL PRINCIPAL.**

**LEVEL PRINCIPAL** – A debt service schedule in which the annual amount of principal payments remains relatively constant over the life of the issue of bonds, resulting in declining annual debt service as the annual amount of interest payments declines. This is sometimes referred to as “declining debt service.”

**EXAMPLE:**

*Level Principal Assumptions:*

Size of issue: \$10,000,000

Interest rate: 7 percent

Maturity of issue: 5 years

*Debt Service Schedule — change calculations*

YEARS	PRINCIPAL*	INTEREST	TOTAL*
1	\$ 2,000,000	\$ 700,000	\$ 2,700,000
2	2,000,000	560,000	2,560,000
3	2,000,000	420,000	2,420,000
4	2,000,000	280,000	2,280,000
5	2,000,000	140,000	2,140,000
Total	\$ 10,000,000	\$ 2,100,000	\$ 12,100,000

\*Principal remains level and total debt service declines throughout life of issue.

**See: DEBT SERVICE. Compare: LEVEL DEBT SERVICE.**

**LIBOR** – Acronym for “London Interbank Offered Rate,” which represents the average rate at which a leading bank can obtain unsecured funding in the London interbank market. LIBOR serves as a benchmark for various interest rates. Obligations of parties to such transactions are typically expressed as a spread to LIBOR.

**LIMITED OFFERING** – An offering of a new issue of municipal securities sold to a limited number of investors that meet certain established standards for qualifying as a purchaser of the securities. The term typically refers to an offering exempt from the provisions of Rule 15c2-12 as a primary offering of municipal securities in authorized denominations of \$100,000 that are sold to no more than 35 persons each of whom the underwriter reasonably believes: (a) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment; and (b) is not purchasing for more than one account or with a view to distributing the securities. **See: RULE 15c2-12. Compare: PRIVATE PLACEMENT.**

**LIMITED TAX BOND** – A bond secured by a specific tax or category of taxes, or a specific portion of any such taxes. **Compare: GENERAL OBLIGATION BOND; LIMITED TAX GENERAL OBLIGATION BOND; REVENUE BOND; SALES TAX BOND; UNLIMITED TAX BOND.**

**LIMITED TAX GENERAL OBLIGATION BOND** – A general obligation bond payable from ad valorem taxes that are limited by law in rate or amount. **See: GENERAL OBLIGATION BOND. Compare: LIMITED TAX BOND; REVENUE BOND; UNLIMITED TAX BOND.**

**LINKED SECURITIES** – A derivative structure whereby a municipal security is deposited into a trust which issues two new securities, a floater and an inverse floater. When one entity owns both the floater and the inverse floater this is called a linked security. **See: DE-LINK; FLOATER; INVERSE FLOATER.**

**LIQUIDITY** – The relative ability of a security to be readily converted into cash. **Compare: MARKETABILITY.**

**LIQUIDITY FACILITY** – A letter of credit, standby bond purchase agreement or other arrangement used to provide liquidity to purchase securities, typically variable rate demand obligations, that have been tendered to the issuer or its agent but which cannot be immediately remarketed to new investors. The provider of the liquidity facility, typically a bank, purchases the securities (or provides funds to the issuer or the remarketing agent to purchase the securities) until such time as they can be remarketed. **See: LETTER OF CREDIT; LIQUIDITY; STANDBY BOND PURCHASE AGREEMENT. Compare: CREDIT FACILITY.**

**LIST OFFERING PRICE or TAKEDOWN TRANSACTION** – A primary market sale transaction executed on the first day of trading of a new issue by a sole underwriter, syndicate manager, or selling group member at the published list offering price for the security or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price.

**LOAD** – A sales charge or commission paid by an investor. Typically, this term is used only in connection with investments in mutual funds and municipal fund securities. **See: BACK-END LOAD; COMMISSION; FRONT-END LOAD; MUNICIPAL FUND SECURITY.**

**LOANS-TO-LENDERS PROGRAM** – A program in which bond proceeds are loaned by the issuer to an entity that in turn lends portions of the proceeds to the ultimate beneficiaries of the bond financing. Loans-to-lenders programs are sometimes seen in single family housing revenue bond issues and certain other types of private activity bond financings. **See: HOUSING REVENUE BOND; MORTGAGE REVENUE BOND; PRIVATE ACTIVITY BOND – Qualified student loan bond.**

**LOAN-TO-VALUE RATIO** – The relationship between the amount of a mortgage loan or other obligation and the appraised value of the property securing the loan expressed as a percentage of the appraised value. Loan-to-value ratios are used also in connection with land-based bonds. **See: DIRT BONDS.**

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP)** – An investment pool established by a state or local governmental entity or instrumentality that serves as a vehicle for investing public funds of participating governmental units. Participants purchase shares or units in the pool (often formed as a trust) and assets are invested in a manner consistent with the portfolio's stated investment objectives. The investment advisor invests in a manner consistent with the cash management needs of the governmental unit participants. **See: MUNICIPAL FUND SECURITY.**

**LOCKED MARKET** – A situation in which the bid-ask spread in a two-sided market for a security is zero. **See: SPREAD.**

**LONG COUPON** – An interest payment for a period longer than the standard period of six months.

**LONG TERM or LONG-TERM RANGE** – A designation given to maturities of a serial issue and term bonds typically having maturities of more than 15 years from issuance. **Compare: INTERMEDIATE RANGE; SHORT TERM.**

**LOWER FLOATER** – A colloquial term for a variable rate demand obligation. The put option feature of the obligation has the practical effect of making the securities short-term from the perspective of the investor; the variable interest rate on the securities, therefore, tends to fluctuate in the "lower" range of interest rates appropriate for short-term securities. **See: FLOATER; INVERSE FLOATER; TENDER OPTION BOND; VARIABLE RATE; VARIABLE RATE DEMAND OBLIGATION.**



**M** – A designation used in the municipal securities industry indicating that a number is to be read in thousands (based on the Roman numeral system). For example, a transaction for “250M bonds” would involve bonds having a par value of \$250,000.

**MAKE WHOLE CALL** – A type of call provision allowing the issuer to pay off debt early that is designed to protect the investor from losses as a result of the earlier call. In order to exercise the call, the issuer must make a lump sum payment derived from a formula based on the net present value of future interest payments that will not be paid as a result of the call. Because the cost can often be significant, such provisions are rarely used.

**MANAGED FUND** – **See: BOND FUND.**

**MANAGEMENT FEE** – (1) A component of the underwriter’s discount representing compensation for the manager’s work in structuring the financing. **See: SPREAD.**

(2) A fee, also known as a program management fee or program fee, typically charged by the program manager of a 529 savings plan for administrative and marketing services related to management of the program. This fee is distinguished from underlying fund or portfolio expenses, which are typically charged to portfolios to compensate the investment advisers to manage the funds or portfolios and pay other related administrative expenses of the underlying investments. Certain programs combine the program management fees and underlying fund or portfolio expenses into one management fee.

(3) A fee typically charged by the program manager of a local government investment pool for administrative and management services related to management of the pool. This fee is distinguished from underlying fund or portfolio expenses, which are typically charged to the portfolios to compensate investment advisers to manage the funds or portfolios and pay other related administrative expenses of the underlying investments. **See: MUNICIPAL FUND SECURITY.**

**MANAGER** – The member (or members) of an underwriting syndicate charged with primary responsibility for conducting the affairs of the syndicate. The lead manager generally takes the largest underwriting commitment.

**Lead Manager, Senior Manager or Bookrunning Manager** – The underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the processes by which a bid is determined for a competitive underwriting. The lead manager also is charged with allocating securities among the members of the syndicate according to the terms of the agreement among underwriters and the orders received.

**Joint Manager or Co-Manager** – Any member of the management group (although the term is often used to refer to a member other than the lead manager).

**Sole Manager** – The underwriter of a new issue where no underwriting syndicate is formed.

**See: PROGRAM MANAGER; SYNDICATE.**

**MANDATORY CALL** – **See: REDEMPTION PROVISIONS.**

**MANDATORY PUT** – **See: MANDATORY TENDER.**

**MANDATORY REDEMPTION FUND or ACCOUNT** – **See: FLOW OF FUNDS – Mandatory Redemption Fund.**

**MANDATORY TENDER** – The requirement that a bondholder surrender the security to the issuer or its agent (e.g., a tender agent) for purchase. The tender date may be established under the bond contract or may be specified by the issuer upon the occurrence of an event specified in the bond contract. The purchase price typically is at par. This term is sometimes referred to as a “mandatory put.” **See: TENDER; TENDER AGENT. Compare: TENDER OPTION.**

**MARK-DOWN** – A form of remuneration received by a municipal securities dealer when purchasing securities as principal from a customer. Mark-down generally is considered to be the differential between the prevailing market price of the security at the time the municipal securities dealer purchases the security from the customer and the lower price paid to the customer by the municipal securities dealer. **See: SPREAD; TWO-SIDED MARKET. Compare: COMMISSION; MARK-UP.**

**MARKETABILITY** – The ease or difficulty with which securities can be sold in the market. A municipal security’s marketability depends upon many factors, including its coupon, yield, dollar price, security provisions, maturity, credit quality and rating, if any. In the case of a new issue, marketability also depends upon the size of the issue, the timing of its issuance, and the volume of comparable issues being sold. **Compare: LIQUIDITY.**

**MARKET DISCOUNT BOND** – A bond purchased in the secondary market at a price that is less than the original issue price plus the accreted original issue discount, if any, through the date of purchase. This market discount may be treated differently than original issue discount for federal income tax purposes. **See: ACCRETION OF DISCOUNT; DE MINIMIS DISCOUNT; DISCOUNT. Compare: ORIGINAL ISSUE DISCOUNT BOND.**

**MARKET PARTICIPANT IDENTIFIER (MPID)** – **See: EXECUTING BROKER SYMBOL.**

**MARKET PRICE** – **See: MARKET VALUE.**



**MARKET VALUE** – The price at which a security could be sold in the current market times the par value or factor. **Compare:** **BOOK VALUE**.

**MARK-TO-MARKET** – A process whereby the value of a security for accounting purposes is adjusted to reflect its current market value. Certain regulatory requirements mandate that municipal securities dealers carry positions at prices that reflect current market values. Issuers or their agents also must generally adjust the value of securities held in a debt service reserve fund or other bond-related fund to reflect current market value. **See:** **WRITE-DOWN**.

**MARK-UP** – A form of remuneration received by a municipal securities dealer when selling securities as principal to a customer. Mark-up generally is considered to be the differential between the prevailing market price of the security at the time the municipal securities dealer sells the security to the customer and the higher price paid by the customer to the municipal securities dealer. **See:** **SPREAD; TWO-SIDED MARKET**. **Compare:** **COMMISSION; MARK-DOWN**.

**MASTER INDENTURE** – A document stating the general terms and conditions under which an issuer can issue more than one series of bonds or obligations. Typically, an issuer will enter into a supplemental indenture in connection with each series of bonds issued under a master indenture. **Compare:** **MASTER RESOLUTION**.

**MASTER RESOLUTION** – A resolution adopted by an issuer setting forth the general terms and conditions under which the issuer can offer more than one series of bonds. Typically, an issuer will adopt a series resolution in connection with each series of bonds issued under a master resolution. **Compare:** **MASTER INDENTURE**.

**MASTER TRUSTEE** – A trustee under a master indenture. **See:** **MASTER INDENTURE; TRUSTEE**.

**MATERIAL OMISSION** – A federal securities law term used to describe conduct that may form the basis of a charge of fraud for the failure to provide information that is necessary to produce lawful disclosure in connection with the purchase or sale of securities. **See:** **FULL DISCLOSURE; RULE 10b-5**.

**MATURITY OR MATURITY DATE** – The date the principal of a municipal security becomes due and payable to the bondholder.

**MATURITY SCHEDULE** – An amortization schedule listing the maturity dates and maturity values of each maturity of an issue of bonds. **See:** **AMORTIZATION SCHEDULE**. **Compare:** **DEBT SERVICE SCHEDULE**.

**MATURITY VALUE** – The principal amount that will be received at the time a security is redeemed at its maturity. On most securities the maturity value is the par value; on capital appreciation and zero-coupon bonds, however, the maturity value is the compound accreted value at maturity. **See:** **COMPOUND ACCRETED VALUE; FACTOR BONDS; PAR VALUE**.

**MAXIMUM RATE** – The highest permissible rate for a municipal security as specified in the bond contract.

**MEMBER ORDER** – **See:** **PRIORITY PROVISIONS**.

**MIG** – **See:** **RATINGS**.

**MILL** – One-tenth (0.1) of one cent or .001 of one dollar. Rates of taxation of assessed valuation are often expressed in mills. **See:** **MILLAGE**.

**MILLAGE** – The rate used in calculating taxes based upon the value of property, expressed in mills. For example, if the property tax is 20 mills and the property is assessed at \$150,000, the property tax is \$3,000. **See: AD VALOREM TAX; ASSESSED VALUATION; MILL; TAX RATE.**

**MINI BOND** – Bonds issued in minimum denominations of less than \$5,000 and often with minimum denominations of less than \$1,000.

**MINIMUM DENOMINATION** – The lowest denomination of an issue that can be purchased as authorized by the bond documents. Typically, municipal bonds have a minimum denomination of \$5,000, but some issuers may impose a higher minimum denomination, most commonly in the amount of \$100,000. **See: DENOMINATION.**

**MM** – A designation used in the municipal securities industry indicating that a number is to be read in the millions (based on the Roman numeral system). For example, a transaction for “250MM bonds” would involve bonds having a par value of \$250,000,000.

**MOB or MOB SPREAD** – The spread between yields on municipal bonds and treasury bonds with similar maturities. The term “MOB” is an acronym for “municipal over bond.”

**MONETARY DEFAULT** – **See: DEFAULT.**

**MONEY MARKET ELIGIBLE SECURITIES** – Securities that are permissible investments for money market funds under SEC Rule 2a-7. Such securities generally have short-term effective maturities, are viewed as having minimal credit risks, and are sufficiently liquid to meet reasonably foreseeable redemptions by shareholders of the money market fund.

**MORAL OBLIGATION BOND** – A bond that, in addition to its primary source of security, is also secured by a non-binding covenant that any amount necessary to make up any deficiency in debt service will be included in the budget recommendation made to the governing body, which may appropriate funds to make up the shortfall. The governing body, however, is not legally obligated to make such an appropriation. **Compare: GENERAL OBLIGATION BOND.**

**MORTGAGE REVENUE BOND** – A municipal security issued by a state or political subdivision to finance restorations/construction on residences for qualified first-time home buyers. **See: HOUSING REVENUE BOND – Single family mortgage revenue bonds; PRIVATE ACTIVITY BOND – Qualified mortgage bonds.**

**MUNICIPAL ADVISOR** – A person or entity (with certain exceptions) that (a) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or (b) solicits a municipal entity, for compensation, on behalf of an unaffiliated municipal securities dealer, municipal advisor, or investment adviser to engage such party in connection with municipal financial products, the issuance of municipal securities, or investment advisory services. **See: FINANCIAL ADVISOR; PRICING ADVISOR; SWAP ADVISOR.**

**MUNICIPAL BOND** – A debt security issued by or on behalf of a state or its political subdivision, or an agency or instrumentality of a state, its political subdivision, or a municipal corporation. Municipal bonds, for example, may be issued by states, cities, counties, special tax districts or special agencies or authorities of state or local governments. **See: BOND; MUNICIPAL SECURITIES.**

**MUNICIPAL BOND FUTURES CONTRACT** – **See: FUTURES CONTRACT.**

**MUNICIPAL BOND INDEX – See: INDEX.**

**MUNICIPAL ENTITY** – A state, political subdivision of a state, or municipal corporate instrumentality of a state, including (a) any agency, authority, or instrumentality of the state, political subdivision, or municipal corporate instrumentality; (b) any plan, program, or pool of assets sponsored or established by the state, political subdivision, or municipal corporate instrumentality or any agency, authority, or instrumentality thereof; and (c) any other issuer of municipal securities.

**MUNICIPAL FUND SECURITY** – A municipal security that, but for section 2(b) of the Investment Company Act of 1940, would constitute an investment company. Interests in local government investment pools, 529 savings plans, and ABLE programs are examples of municipal fund securities.  
**See: LOCAL GOVERNMENT INVESTMENT POOL; 529 SAVINGS PLAN; ABLE PROGRAM.**

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**MUNICIPAL OVER BOND SPREAD – See: MOB SPREAD.**

**MUNICIPAL SECURITIES** – A general term referring to a bond, note, warrant, certificate of participation or other obligation issued by a state or local government or their agencies or authorities (such as cities, towns, villages, counties or special districts or authorities). A prime feature of most municipal securities is that interest or other investment earnings on them are generally excluded from gross income of the bondholder for federal income tax purposes. Some municipal securities are subject to federal income tax, although the issuers or bondholders may receive other federal tax advantages for certain types of taxable municipal securities. Some examples include Build America Bonds, municipal fund securities and direct pay subsidy bonds. **See: BOND; CERTIFICATE OF PARTICIPATION; MUNICIPAL BOND; NOTE; SECURITY; VARIABLE RATE DEMAND OBLIGATION; WARRANT.**

**MUNICIPAL SECURITIES BUSINESS** – A term, sometimes used interchangeably with the term “municipal securities activities,” generally encompassing all of the activities of municipal securities dealers in the municipal securities market.

**MUNICIPAL SECURITIES DEALER** – A dealer or bank dealer engaged in the business of effecting principal trades in municipal securities. This term is often used colloquially, and is used in this glossary (unless the context otherwise requires), as a collective term to describe all brokers, dealers and municipal securities dealers engaged in municipal securities activities. **See: DEALER; BANK DEALER. Compare: BROKER.**

**MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)** – A self-regulatory organization, consisting of representatives of securities firms, bank dealers, municipal advisors, issuers, investors and the public, that is charged with primary rulemaking authority over municipal securities dealers and municipal advisors in connection with their municipal securities and municipal advisory activities. MSRB rules are approved by the SEC, and enforced by the SEC, FINRA and the federal banking regulators depending on the regulated entity. **See: FEDERAL DEPOSIT INSURANCE CORPORATION; FEDERAL RESERVE BOARD; FINANCIAL INDUSTRY REGULATORY AUTHORITY; OFFICE OF THE COMPTROLLER OF THE CURRENCY; SECURITIES AND EXCHANGE COMMISSION.**

**MUNICIPAL UTILITY DISTRICT BONDS (MUDs)** – Bonds issued by special purpose local districts to finance the construction of water, sewer and related facilities. Repayment of the bonds generally is dependent upon the development of the properties benefited by the improvements. **Compare: DIRT BONDS.**



**NASD** – See: **FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)**.

**NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY (NRMSIR)** – Prior to July 1, 2009, an entity, designated by the Securities and Exchange Commission under Rule 15c2-12, to which an issuer or obligated person that entered into a continuing disclosure agreement was contractually required to send annual financial information and event disclosures. Beginning on July 1, 2009, continuing disclosures must be sent to the Municipal Securities Rulemaking Board. See: **CONTINUING DISCLOSURE; ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM; MUNICIPAL SECURITIES RULEMAKING BOARD; RULE 15c2-12**.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO)** – A rating agency designated by the SEC as being nationally recognized. See: **RATING AGENCY**

**NATIONAL SECURITIES CLEARING CORPORATION (NSCC)** – A subsidiary of Depository Trust and Clearing Corporation (DTCC) that provides clearing, settlement, risk management, central counterparty services, and guarantee of completion for certain transactions for virtually all broker-to-broker trades involving municipal securities, among other products. See: **CLEARING CORPORATION; DTCC**.

**NEGATIVE ARBITRAGE** – Investment of bond proceeds and other related funds at a rate below the bond yield.

**NEGATIVE CARRY** – See: **CARRYING COST**.

**NEGATIVE COVENANT** – See: **COVENANT**.

**NEGOTIATED SALE** – The sale of a new issue of municipal securities by an issuer directly to an underwriter or underwriting syndicate selected by the issuer. A negotiated sale is distinguished from a sale by competitive bid, which requires public bidding by the underwriters. Among the primary points of negotiation for an issuer are the interest rate, call features and purchase price of the issue. The sale of a new issue of securities in this manner is also known as a negotiated underwriting. Compare: **COMPETITIVE SALE**.

**NET CAPITAL RULE** – An SEC rule that requires broker-dealers to maintain sufficient liquidity to protect securities customers, counterparties, and creditors. Broker-dealers must maintain net capital (net worth adjusted by certain deductions for illiquid assets and reserves against possible market losses on securities positions) such that the liabilities incurred by the broker-dealer (aggregate indebtedness) do not exceed certain specified levels. **See: HAIRCUT.**

**NET CASH REFUNDING** – A method of refunding in which the proceeds of refunding bonds and any other available funds, together with interest earnings thereon, are required to produce sufficient funds to pay debt service on the refunded bonds. **See: ADVANCE REFUNDING. Compare: FULL CASH REFUNDING.**

**NET INTEREST COST (NIC)** – A method of computing the interest expense to the issuer of bonds, which may serve as the basis of award in a competitive sale of a new issue of municipal securities. NIC takes into account any premium or discount applicable to the issue, as well as the dollar amount of coupon interest payable over the life of the issue. NIC does not take into account the time value of money (as would be done in other calculation methods, such as the “true interest cost” (TIC) method). The term “net interest cost” refers to the overall rate of interest to be paid by the issuer over the life of the bonds. **Compare: TRUE INTEREST COST.**

**NET OFFERING** – An offering made at a specified price or yield without any concession. **See: CONCESSION.**

**NET ORDER** – **See: PRIORITY PROVISIONS.**

**NET PLEDGE** – **See: PLEDGED REVENUES.**

**NET PROCEEDS** – Generally, proceeds from the sale of a new issue of municipal securities less costs of issuance. **See: BOND PROCEEDS.**

**NET REVENUE PLEDGE** – **See: PLEDGED REVENUES.**

**NET REVENUES** – The amount of money available after subtracting from gross revenues such costs and expenses as may be provided for in the bond contract. The costs and expenses most often deducted are operations and maintenance expenses. **See: PLEDGED REVENUES.**

**NETTING** – A process used in an automated system made available by a clearing corporation whereby sequences of transactions in a single issue of securities are consolidated into a reduced number of delivery obligations. Persons in the transaction sequence who purchase and subsequently resell the same securities are “netted out,” so that deliveries are generally made from the initial sellers of the securities to the ultimate buyers. **Compare: BALANCE ORDER.**

**NEW CLEAN RENEWABLE ENERGY BONDS (NEW CREBs)** – Bonds issued to finance renewable energy projects such as solar, wind and geothermal, among others. In contrast to the original CREBs, at the election of the issuer, the issuer is entitled to receive a direct pay subsidy or the bondholders are entitled to receive federal tax credits. There are also differences between original CREBs and new CREBs with respect to the financing of projects and the level of tax credits. **See: DIRECT PAY SUBSIDY BONDS; TAX CREDIT BONDS. Compare: CLEAN RENEWABLE ENERGY BONDS.**

**NEW ISSUE INFORMATION DISSEMINATION SYSTEM (NIIDS)** – An automated system operated by DTCC that receives new issue information from an underwriter within two hours after the formal award and immediately disseminates the information to industry participants and information vendors to

assist industry participants to report and process trades in new issue securities in an efficient and timely manner. **See: DEPOSITORY TRUST AND CLEARING CORPORATION (DTCC).**

**NEW ISSUE MARKET – See: PRIMARY MARKET.**

**NEW ISSUE MUNICIPAL SECURITIES or NEW ISSUE –** Municipal securities sold during the initial distribution of an issue in a primary offering by the underwriter or underwriting syndicate, and in subsequent, secondary market trading immediately thereafter. **See: CUSTOMER TRADE; PRIMARY MARKET; PRIMARY OFFERING; UNDERWRITING PERIOD; WHEN, AS AND IF ISSUED. Compare: SECONDARY MARKET.**

**NOMINAL INTEREST RATE – See: COUPON RATE.**

**NOMINAL QUOTATION – See: INDICATION.**

**NOMINEE –** An entity established by a bank, securities firm or other corporation (such as a depository) to be used as the holder of record for registered securities owned by the bank, securities firm or corporation. Securities are registered in the name of a nominee to avoid the difficulties of registering and transferring securities in a corporate name. This form of registration is satisfactory for purposes of delivery on inter-dealer transactions. **Compare: STREET NAME.**

**NON-AMT BOND –** A bond the interest on which is not subject to the federal alternative minimum tax. **See: ALTERNATIVE MINIMUM TAX; TAX-EXEMPT BOND. Compare: AMT BOND.**

**NON-APPROPRIATION CALL – See: REDEMPTION PROVISIONS.**

**NON-APPROPRIATION CLAUSE –** A provision of a bond contract that allows the lessee or borrower to terminate certain obligations under a long-term certificate of participation or other revenue obligation financing if the appropriating body does not appropriate funds for the lease payments. **See: CERTIFICATE OF PARTICIPATION; LEASE-PURCHASE AGREEMENT; LEASE RENTAL BOND; ANNUAL APPROPRIATION PLEDGE; SUBJECT TO APPROPRIATION.**

**NON-CALLABLE BOND –** A bond that cannot be redeemed at the issuer's option before its stated maturity date. **Compare: CALLABLE BOND.**

**NON-INVESTMENT GRADE –** A term utilized by market participants to characterize opinions by ratings organizations regarding municipal securities. Credits with ratings below specified levels are generally considered to be non-investment grade. **See: HIGH-YIELD BOND; RATINGS. Compare: INVESTMENT GRADE.**

**NON- or NO LITIGATION CERTIFICATE –** A document executed prior to delivery of a new issue by an issuer or obligor with respect to municipal bonds. Customarily it certifies that there is no litigation pending, threatened, or contemplated that would materially affect the validity or security of the bonds; the issuance, execution or delivery of the bonds; the existence of the issuing entity or obligor; or the validity or legality of provisions authorizing the payment of principal of and interest on the bonds.

**NON-RATED SECURITY –** A security that has not been rated by any of the nationally recognized statistical rating organizations. **See: RATINGS.**

**NOTE –** A short-term obligation of an issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, usually payable from a defined source of anticipated revenues.

Notes usually mature in one year or less, although notes of longer maturities are also issued. The following types of notes are common in the municipal market:

**Bond anticipation notes (BANs)** – Notes issued by a governmental unit, usually for capital projects, that are repaid from the proceeds of the issuance of long-term bonds.

**Commercial paper (CP)** – Short-term obligations issued by municipal entities usually backed by a line of credit with a bank that mature within 270 days. The issuer typically pays maturing principal of outstanding commercial paper with newly issued commercial paper, referred to as a “roll over,” thereby borrowing funds on a short-term basis for an extended period of time. Rate reset periods may vary from one to 270 days and different portions of a single issue of commercial paper may simultaneously have different reset periods.

**Construction loan notes (CLNs)** – Notes issued to fund construction of projects (typically housing projects). CLNs are repaid by the permanent financing, which may be provided from bond proceeds or some pre-arranged commitment.

**Grant anticipation notes (GANs)** – Notes issued on the expectation of receiving grant funds, usually from the federal government. The notes are payable from the grant funds, when received.

**Revenue anticipation notes (RANs)** – Notes issued in anticipation of receiving revenues at a future date.

**Tax anticipation notes (TANs)** – Notes issued in anticipation of future tax receipts, such as receipts of ad valorem taxes that are due and payable at a set time of year.

**Tax and revenue anticipation notes (TRANS)** – Notes issued in anticipation of receiving future tax receipts and revenues at a future date.

**See: MUNICIPAL SECURITIES. Compare: BOND; VARIABLE RATE DEMAND OBLIGATION.**

**NOTICE OF REDEMPTION** – A published announcement of the issuer’s intention to call some or all outstanding bonds prior to their stated maturity dates. **See: CALLABLE BOND; REDEMPTION; REDEMPTION PROVISIONS.**

**NOTICE OF SALE** – A document describing the terms established by an issuer for a competitive sale of an anticipated new issue of municipal securities. It generally contains the date, time and place of sale, amount of issue, type of security, amount of any good faith deposit, basis of award, name of bond counsel, maturity schedule, method of delivery, time and place of delivery, and bid form. **See: BID FORM; COMPETITIVE SALE.**

**NRO (NOT REOFFERED) MATURITY** – A maturity of a new issue of municipal securities that is fully subscribed for or sold prior to the general reoffering of the issue by the underwriters to the public and therefore is not reoffered to the public by the underwriters.



**OBLIGATED PERSON** – Any person (including the issuer) legally committed to support payment of all or part of an issue of municipal securities, other than certain unrelated providers of credit or liquidity enhancement. **See: CONTINUING DISCLOSURE; CONTINUING DISCLOSURE AGREEMENT; EMMA; OBLIGOR; RULE 15c2-12.**

**OBLIGOR** – A party having a financial obligation or arrangement to make the payment of all or part of debt service on municipal securities. The obligor is often the issuer but may be a conduit borrower of municipal securities proceeds. **See: CONDUIT BORROWER; CONDUIT ISSUER; OBLIGATED PERSON.**

**ODD LOT** – A principal amount of securities that is smaller than what is considered a normal trading unit. **Compare: ROUND LOT.**

**OFFER** – Also called “ask.” A proposal to sell securities at a stated price or yield. **See: OFFERING PRICE. Compare: BID.**

**OFFERING CIRCULAR** – (1) A document about an issue of municipal securities expected to be offered in the primary market. The document discloses to investors information regarding the securities to be offered.

(2) A document prepared and used by municipal securities dealers when selling large blocks of previously issued securities in the secondary market. **Compare: OFFICIAL STATEMENT.**

**OFFERING PRICE** – The price or yield at which municipal securities dealers offer securities to investors or to other municipal securities dealers. **See: REOFFERING SCALE.**

**OFFER WANTED** – Process by which a municipal securities dealer or investor actively solicits offers for a particular bond from the marketplace. **See: ALTERNATIVE TRADING SYSTEM. Compare: BID WANTED.**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY (OCC)** – Federal agency within the Treasury Department responsible for supervising and regulating national banks. The OCC also enforces MSRB



rules applicable to bank dealers that are national banks. **Compare: FEDERAL DEPOSIT INSURANCE CORPORATION; FEDERAL RESERVE BOARD.**

**OFFICIAL ACTION – See: INDUCEMENT RESOLUTION.**

**OFFICIAL OF AN ISSUER –** Any person who, at the time that a political contribution is made, is an incumbent, candidate or successful candidate: (a) for elective office of an issuer where such office is directly or indirectly responsible for, or can influence the outcome of, the hiring of a municipal securities dealer for municipal securities business of the issuer; or (b) for elective office of a state or political subdivision where such office has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of a municipal securities dealer for municipal securities business of an issuer. Certain political contributions to an official of an issuer, or “issuer official,” may result in a municipal securities dealer becoming banned from engaging in municipal securities business with such issuer. **See: MUNICIPAL SECURITIES BUSINESS; PAY-TO-PLAY.**

**OFFICIAL COMMUNICATION –** A document addressed to beneficial owners of one or more specific issues of municipal securities and prepared by or for the issuer, trustee and certain other parties containing official information about the securities.

**OFFICIAL STATEMENT (OS) –** A document prepared by or on behalf of the issuer of municipal securities in connection with a primary offering that discloses material information on the offering of such securities. Official statements typically include information regarding the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the issuer, conduit borrower or other obligated person with respect to the offered securities. Investors and market intermediaries may use this information to evaluate the credit quality of the securities and potential risks of the primary offering. **See: DUE DILIGENCE; FULL DISCLOSURE; MATERIAL OMISSION; PRIMARY OFFERING; PROGRAM DISCLOSURE DOCUMENT; RULE 10b-5; RULE 15c2-12. Compare: INFORMATION STATEMENT; OFFERING CIRCULAR; PRELIMINARY OFFICIAL STATEMENT; PRIVATE PLACEMENT MEMORANDUM.**

**OMNIBUS RELATIONSHIP – See: CLEARING BROKER.**

**OPEN END LIEN –** Provisions in a bond contract that permit the issuer to issue additional bonds that have an equal claim on the pledged revenues under certain circumstances (typically upon satisfaction of an additional bonds test). **See: ADDITIONAL BONDS COVENANT. Compare: CLOSED LIEN.**

**OPTIONAL CALL or REDEMPTION – See: REDEMPTION PROVISIONS.**

**OPTIONAL TENDER – See: TENDER OPTION.**

**ORDER PERIOD –** In a competitive syndicate, the period of time following the competitive sale of a new issue during which non-priority orders submitted by syndicate members are allocated without consideration of time of submission. The length of the order period is usually determined by the manager. In a negotiated sale, the order period is the period of time established by the manager during which orders are accepted. The order period in a negotiated sale generally precedes the purchase of the issue by the underwriters from the issuer and is the period during which orders will be solicited for the purchase of securities in the primary offering. At times, order periods are established at subsequent points in the life of a syndicate. Such subsequent order periods may occur when securities are repriced or market conditions change. In some offerings, a “retail order period” may be designated during which orders will be accepted solely for retail customers, as defined by the issuer (or, in some cases, small orders for any type of customers). **See: PRIORITY PROVISIONS.**

**ORDINANCE** – An official action of the governing body of an issuer, typically enacted by a vote of the members of the governing body at a public meeting. The procedures for enacting an ordinance are often more formal than those for adopting a resolution. For example, in many jurisdictions, an ordinance cannot be finally enacted at the same meeting at which it is introduced, whereas a resolution may often be adopted at the same meeting. Some jurisdictions permit the incurrence of debt through adoption of a resolution while others require enactment of an ordinance. **Compare: RESOLUTION.**

**ORIGINAL ISSUE DISCOUNT BOND or OID BOND** – A bond that was sold at the time of issue at a price that included an original issue discount. **See: ORIGINAL ISSUE DISCOUNT. Compare: MARKET DISCOUNT BOND.**

**ORIGINAL ISSUE DISCOUNT (OID)** – The discount from par value at the time the bond or other debt is issued. It is the difference between the stated issue price and the redemption price at maturity. The original issue discount is amortized over the life of the security and is generally treated as tax-exempt interest. When the investor sells the security before maturity, any profit or loss realized on such sale is calculated (for tax purposes) on the adjusted book value. The adjusted book value is calculated for each year the security is outstanding by adding the accretion value to the original offering price. The amount of the accretion value (and the existence and total amount of original issue discount) is determined in accordance with the provisions of the Internal Revenue Code and the rules and regulations of the Internal Revenue Service. **See: ACCRETION OF DISCOUNT; COMPOUND ACCRETED VALUE; DISCOUNT. Compare: MARKET DISCOUNT BOND.**

**ORIGINAL ISSUE PREMIUM** – The amount by which the public offering price of a security at the time of its original issuance exceeded its par value. The original issue premium is amortized over the life of the security and results in an adjustment to the basis of the security. Original issue premium generally is not deductible for federal income tax purposes. The amount of original issue premium received by the issuer in a primary offering, also known as the “bond premium,” is generally treated as proceeds of the issue. **See: AMORTIZATION OF PREMIUM. Compare: ORIGINAL ISSUE DISCOUNT.**

**ORIGINAL ISSUE PRICE** – **See: INITIAL OFFERING PRICE.**

**ORIGINAL ISSUE PROCEEDS** – Proceeds of an issue calculated in accordance with Internal Revenue Code that considers the par amount of the bonds, accrued interest, any original issue premium, any original issue discount and fees for any qualifying guarantees or qualifying hedging transactions, etc.

**ORIGINAL ISSUE YIELD (OIY)** – For an original issue discount bond, the expected yield to maturity on the securities based upon the public offering price. **See: ORIGINAL ISSUE DISCOUNT.**

**OTHER POST EMPLOYMENT BENEFITS (OPEB)** – Future liabilities incurred by certain governmental entities for benefits, other than pension benefits, owed to retired employees, such as certain medical and other benefits. The Governmental Accounting Standards Board (GASB) has established guidelines for governmental entities to account for the future liability of these benefits in current financial statements.

**OUTSTANDING BONDS or OUTSTANDING** – Bonds that have been issued but have not yet matured or been otherwise redeemed. Bonds that have been defeased, however, generally are not considered to be outstanding for purposes of many bond contract provisions, such as bond covenants and security provisions.

**OVERALL DEBT** – **See: BONDED DEBT.**

**OVERLAPPING DEBT** – **See: BONDED DEBT.**

**OVERSUBSCRIPTION** – A situation with respect to a new issue of municipal securities in which the underwriters have received orders in excess of the principal amount of the securities in the issue or a particular maturity of the issue. If an issue or maturity is oversubscribed, the senior manager is responsible for allocating the securities in a manner consistent with the priority provisions. **See: ALLOCATION; PRIORITY PROVISIONS.**

**OVER-THE-COUNTER MARKET (OTC)** – A market for securities that are traded other than on a national securities exchange. The over-the-counter market is characterized most particularly by a system of dealers that offer and sell securities. Almost all municipal securities are traded in the OTC market. **Compare: AUCTION MARKET, CLOSED END FUND; EXCHANGE TRADED FUND.**



**PAR** – 100 percent of face value of a security. **See:** **PAR VALUE.**

**PAR BOND** – A bond selling at its face value. **Compare:** **DISCOUNT SECURITY; PREMIUM SECURITY.**

**PAR CALL** – **See:** **PAR OPTION; REDEMPTION PROVISIONS.**

**PARI PASSU BONDS** – **See:** **PARITY BONDS.**

**PARITY BONDS** – Two or more issues or series of bonds that have the same priority of claim or lien against pledged revenues or other security. Parity bonds are also referred to as “pari passu bonds.” **Compare:** **JUNIOR LIEN BONDS; SENIOR LIEN BONDS.**

**PARITY TEST** – **See:** **ADDITIONAL BONDS TEST.**

**PARKING** – A practice, in violation of securities industry rules, consisting of selling securities to a customer and, at the same time, agreeing to repurchase the securities at a future date with an unbooked transaction (with the transaction later booked as an ostensibly unrelated trade).

**PAR OPTION** – An issuer’s option to redeem bonds at a price of par. **See:** **REDEMPTION PROVISIONS.**

**PARTIAL CALL or REDEMPTION** – **See:** **REDEMPTION PROVISIONS.**

**PARTIAL DELIVERY** – A delivery on a transaction of less than the total par value amount of securities involved in the transaction.

**PARTIAL REFUNDING** – A refunding of less than all outstanding bonds of an issue. **See:** **REFUNDING.**

**PARTICIPANT** – An organization that has access to and uses the facilities of a registered clearing agency for the confirmation, clearance and/or settlement of securities transactions. **See:** **REGISTERED CLEARING AGENCY.**

**PARTICIPATION** – The principal amount of securities to be underwritten by a particular member of an underwriting syndicate, representing its pro-rata share of the total liability and profits, if any, from the operation of the syndicate. **See: SYNDICATE.**

**PAR VALUE** – The amount of principal of a security that must be paid at maturity. The par value may also be referred to as the “face amount” of a security. **Compare: FACTOR BONDS.**

**PAYING AGENT** – The entity responsible for transmitting payments of interest and principal from an issuer of municipal securities to the bondholders. The paying agent is usually a corporate trust department of a bank or trust company, but may be the treasurer or some other officer of the issuer or another governmental entity (e.g., a county treasurer acting for a school district or municipality within the county). The paying agent may also provide other services for the issuer such as reconciliation of the securities and interest paid, destruction of paid securities, and similar services. The trustee under a bond contract usually also acts as paying agent. **See: TRUSTEE.**

**PAYMENT DATE** – The date on which principal and/or interest is payable on a municipal security. **See: INTEREST PAYMENT DATE; MATURITY DATE.**

**PAY-TO-PLAY** – A practice whereby payments are made in return for business or other benefits. **See: MUNICIPAL SECURITIES BUSINESS.**

**PENSION OBLIGATION BOND** – Bonds issued by a state or local government to finance an unfunded pension liability of the entity.

**PER CAPITA DEBT** – The amount of an issuer’s debt outstanding divided by the population residing within the issuer’s jurisdiction. This is often used as an indication of the issuer’s credit position because it can be used to compare the proportion of debt borne per resident with that borne by the residents of other issuers. **See: DEBT RATIOS.**

**PERIODIC STATEMENT** – In the case of municipal fund securities sold to customers under a periodic municipal fund security plan or a qualifying non-periodic municipal fund security program, the monthly or quarterly statement disclosing information about transactions effected during such period delivered to customers. **See: MUNICIPAL FUND SECURITY. Compare: CONFIRMATION.**

**PERMITTED ENCUMBRANCES** – Encumbrances on title to property pledged as security for an issue that are specifically permitted under the bond contract.

**PERMITTED INVESTMENTS** – The instruments in which bond proceeds or other funds may be invested pursuant to the provisions of the bond contract. **Compare: ELIGIBLE SECURITIES.**

**PLACEMENT AGENT** – (1) A municipal securities dealer acting as agent who places a new issue of municipal securities directly with investors on behalf of the issuer.

(2) An entity that may be registered as a broker-dealer, investment adviser and/or municipal advisor that solicits municipal entities (e.g., public pension plans) to invest assets of the municipal entity with investment professionals, such as asset managers. **See: PRIVATE PLACEMENT. Compare: UNDERWRITER.**

**PLACEMENT RATIO** – The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. This ratio is also known as the “acceptance ratio.”

**PLAN DISCLOSURE DOCUMENT** – See: **PROGRAM DISCLOSURE DOCUMENT**.

**PLANNED AMORTIZATION CLASS BOND (PAC BOND)** – A mortgage-backed bond payable with a fixed sinking fund schedule structured so that mortgage repayments will be sufficient to make all sinking fund payments as scheduled. Typically, one or more additional classes of mortgage-backed securities, also subject to mortgage repayments, are issued in conjunction with PAC Bonds. These additional classes are subject to more volatile rates of repayment, depending upon various factors. See: **COLLATERALIZED MORTGAGE OBLIGATION; PREPAYMENT SPEED**.

**PLEGGED REVENUES** – The funds obligated for the payment of debt service and the making of other deposits required by the bond contract.

**Gross Pledge or Gross Revenue Pledge** – A pledge that all revenues received will be used for debt service prior to deductions for any costs or expenses.

**Net Pledge or Net Revenue Pledge** – A pledge that net revenues will be used for payment of debt service. See: **NET REVENUES**.

**POINT** – One percent of par value. Because municipal dollar prices are typically quoted in terms of a percentage of \$1,000, a point is worth \$10 regardless of the actual denomination of a security. A security discounted 2 ½ points, or \$25, is quoted at “97 ½” (97 ½ percent of its value), or \$975 per \$1,000.

**POLITICAL ACTION COMMITTEE (PAC)** – An organization that campaigns for or against political candidates, ballot initiatives or legislation.

**POLLING THE ACCOUNT** – The practice by the lead manager of an underwriting syndicate of contacting and seeking the vote of members of a syndicate in connection with various questions that might arise concerning syndicate operations (e.g., whether the account should be extended or terminated, how bids for bonds at other than listed offering prices should be handled). Members’ votes are usually weighted by their percentage participation in the underwriting. See: **SYNDICATE**.

**POLLUTION CONTROL REVENUE BOND (PCR)** – A private activity bond issued by a state or local authority and used to finance the acquisition of pollution control equipment pursuant to federal tax regulations. See: **PRIVATE ACTIVITY BOND – Exempt facility bonds**.

**POSITIVE CARRY** – See: **CARRYING COST**.

**PREARRANGED TRADING** – Trading that occurs between parties through an express or implied agreement or understanding.

**PRE-CLOSING** – See: **CLOSING**.

**PRELIMINARY OFFICIAL STATEMENT (POS)** – A version of the official statement prepared by or for an issuer of municipal securities for potential customers prior to the availability of the final official statement. Under the securities laws, offers for the sale of or acceptance of securities are not made on the basis of the preliminary official statement and a statement to that effect appears on the face of the document generally in red print, which gives the document its nickname, “red herring.” Compare: **OFFICIAL STATEMENT; RULE 15c2-12**.

**PREMIUM** – The amount by which the price paid for a security exceeds the security’s par value. For tax purposes, the actual amount of premium with respect to a particular security may be affected by the

existence of any original issue premium or original issue discount. **See: AMORTIZATION OF PREMIUM; ORIGINAL ISSUE PREMIUM. Compare: DISCOUNT; ORIGINAL ISSUE DISCOUNT.**

**PREMIUM BOND** – A security purchased at a price in excess of the par value. **See: PREMIUM. Compare: DISCOUNT BOND; PAR BOND.**

**PREMIUM CALL or PREMIUM REDEMPTION** – **See: REDEMPTION PROVISIONS.**

**PREMIUM CALL PRICE** – A price, in excess of par value (or compound accreted value, in the case of certain original issue discount or zero coupon bonds) and expressed as a percentage of par (or compound accreted value), that the issuer agrees to pay upon redemption of its outstanding bonds on a specific date prior to the stated maturity date. The amount of premium to be paid often declines incrementally after the initial premium call date. **See: CALL PRICE; PREMIUM; REDEMPTION PREMIUM; REDEMPTION PROVISIONS.**

**PRE-PAID TUITION PLAN** – A plan, sometimes referred to as a “529 plan,” established by one or more states, state agencies, or educational institutions as a “qualified tuition program” pursuant to Section 529 of the Internal Revenue Code. Under a pre-paid tuition plan, a person may purchase credits or units entitling a designated beneficiary to a waiver of or credit for payment of a specified amount or percentage of qualified higher education expenses at such time in the future as the beneficiary attends a qualifying higher education institution. The credits or units are priced to provide a discount for prepayment of qualified higher education expenses. Most pre-paid tuition plans are sponsored by state governments and have residency requirements. Many state governments guarantee investments in pre-paid tuition plans that they sponsor. **See: DESIGNATED BENEFICIARY; 529 PLAN; QUALIFIED HIGHER EDUCATION EXPENSES. Compare: 529 SAVINGS PLAN.**

**PREPAYMENT PROVISIONS** – **See: REDEMPTION PROVISIONS.**

**PREPAYMENT SPEED** – The rate of principal repayments (also known as “speed”) of home mortgages funded from mortgage revenue bonds. The rate of repayments is affected by a number of factors, depending upon the type of mortgage loan, the existence of certain types of guarantees or insurance on the loans, the interest rate environment and other economic factors. Various indices have been developed to estimate the likely rate of repayments depending upon certain of these factors. **See: HOUSING REVENUE BOND; PLANNED AMORTIZATION CLASS BOND.**

**PREREFUNDED** – **See: ADVANCE REFUNDING.**

**PRE-SALE ORDER** – An order given to the syndicate manager, prior to the purchase of securities from the issuer that indicates a prospective investor’s intention to purchase the securities at a predetermined price level. Pre-sale orders, almost exclusively seen in competitive sales, are normally afforded top priority in allocation of securities from the syndicate. **See: PRIORITY PROVISIONS.**

**PRESENT VALUE** – The current value of a payment or stream of payments expected to be received in the future discounted at a given interest rate or rates.

**PRESENT VALUE SAVINGS** – Difference expressed in terms of current dollars between the debt service on a refunded bond issue and the debt service on a refunding bond issue for an issuer. It is calculated by discounting the difference in the future debt service payments on the two issues at a given rate. **See: REFUNDING BONDS; PRIOR ISSUE.**

**PRICE** – The amount to be paid for a bond, usually expressed as a percentage of par value but also sometimes expressed as the yield that the purchaser will realize based on the dollar amount paid for the bond. The price of a municipal security moves inversely to the yield. **See: BASIS PRICE; DOLLAR PRICE.**  
**Compare: INTEREST RATE; YIELD.**

**PRICE TRANSPARENCY** – **See: TRANSPARENCY.**

**PRICING** – In a negotiated offering of a new issue of municipal securities, the process by which the issuer and underwriters determine the interest rates and prices at which the new issue will be offered to the public. The pricing of a new issue typically occurs immediately before or the day preceding the execution of the bond purchase agreement between the issuer and the underwriters.

**PRICING ADVISOR** – A consultant who provides a fairness letter to an issuer or its agent regarding the fairness of the pricing of a new issue of municipal securities. **See: FAIRNESS LETTER; MUNICIPAL ADVISOR.** **Compare: FINANCIAL ADVISOR.**

**PRICING WIRE** – The means by which the structure and pricing for a primary offering of municipal securities is disseminated to the syndicate. It is a series of communications between the senior manager and selling group members that establish the terms of the underwriting, the initial pricing, the priority of orders, and the order period for a primary offering of municipal securities.

**PRIMARY DISTRIBUTOR** – A term used to refer to a municipal securities dealer that acts as an underwriter for a primary offering of municipal fund securities. **See: CONTINUOUS OFFERING; MUNICIPAL FUND SECURITY; PRIMARY OFFERING; UNDERWRITER.** **Compare: SELLING DEALER.**

**PRIMARY MARKET** – The market for new issues of municipal securities. **Compare: SECONDARY MARKET.**

**PRIMARY OFFERING** – An offering of municipal securities directly or indirectly by or on behalf of the issuer, including certain remarketings of municipal securities. **See: CONTINUOUS OFFERING; REMARKETING; RULE 15c2-12; UNDERWRITING.**

**PRIMARY OFFERING DISCLOSURE DOCUMENT** – **See: OFFICIAL STATEMENT; PRIVATE PLACEMENT MEMORANDUM.**

**PRINCIPAL** – Generally, the face amount or par value of a security payable on the maturity date. **See: PAR VALUE.** **Compare: COMPOUND ACCRETED VALUE; FACTOR BONDS; INTEREST.**

**PRINCIPAL ACCOUNT** – **See: FLOW OF FUNDS – Debt Service Fund.**

**PRINCIPAL TRADE** – A securities transaction in which a municipal securities dealer effects the transaction for its own account. **Compare: "AS AGENT" TRADE.**

**PRIOR ISSUE** – An issuer's outstanding issue of municipal bonds. The term is often used in the context of a refunding to denote the obligations being refinanced, sometimes called "refunded bonds." **Compare: REFUNDING BONDS.**

**PRIORITY PROVISIONS** – In a primary offering of municipal securities, the underwriting syndicate adopts the terms on which orders will be given priority. For competitive underwritings, orders received prior to the sale ("pre-sale orders") generally are given top priority. In some negotiated offerings, retail orders or other restrictions designated by the issuer are given priority. Once the order period begins for either negotiated or competitive underwritings, the most common priority provision gives group net



orders top priority, followed by net designated orders and member orders. These types of orders are described below:

**Group Net Order** – An order at the initial offering price. A group net order benefits all syndicate members according to their percentage participation in the account.

**Net Designated Order** – An order submitted by a syndicate member on behalf of a buyer on which all or a portion of the takedown is to be credited to certain members of the syndicate. The buyer directs the percentage of the total designation each member will receive in accordance with the terms of the underwriting syndicate.

**Member Order** – An order submitted by a syndicate member at the takedown price. Other priorities, such as retail orders or orders from local residents, may supersede those noted above. **See: CONCESSION; LIST OFFERING PRICE/TAKEDOWN TRANSACTION; ORDER PERIOD; PRE-SALE ORDER; SPREAD; SYNDICATE.**

**PRIVATE ACTIVITY BOND (PAB)** – A municipal security of which the proceeds are used by one or more private entities. A municipal security is considered a private activity bond if it meets two sets of conditions set out in Section 141 of the Internal Revenue Code. A municipal security is a private activity bond if, with certain exceptions, more than 10 percent of the proceeds of the issue are used for any private business use (the “private business use test”) and the payment of the principal of or interest on more than 10 percent of the proceeds of such issue is secured by or payable from property used for a private business use (the “private security or payment test”). A municipal security also is a private activity bond if, with certain exceptions, the amount of proceeds of the issue used to make loans to non-governmental borrowers exceeds the lesser of 5 percent of the proceeds or \$5 million (the “private loan financing test”). Interest on private activity bonds is not excluded from gross income for federal income tax purposes unless the bonds fall within certain defined categories (“qualified bonds” or “qualified private activity bonds”), as described below. Most categories of qualified private activity bonds are subject to the alternative minimum tax. The following categories of private activity bonds are qualified bonds under current federal tax laws:

**Exempt facility bonds** – Private activity bonds issued to finance various types of facilities owned or used by private entities, including airports, docks and certain other transportation-related facilities; water, sewer and certain other local utility facilities; solid and hazardous waste disposal facilities; certain residential rental projects (including multi-family housing revenue bonds); and certain other types of facilities. Enterprise zone and recovery zone facility bonds are also considered exempt facility bonds. **See: ENTERPRISE ZONE BOND; HOUSING REVENUE BOND – Multi-family housing revenue bonds; RECOVERY ZONE FACILITY BONDS.**

**Qualified 501(c)(3) bonds** – Private activity bonds issued to finance a facility owned and utilized by a 501(c)(3) organization. Qualified 501(c)(3) bonds are not subject to the federal alternative minimum tax.

**Qualified mortgage bonds** – Private activity bonds issued to fund mortgage loans to finance owner-occupied residential property. Qualified mortgage bonds are often referred to as single family mortgage revenue bonds. **See: HOUSING REVENUE BOND – Single family mortgage revenue bonds.**

**Qualified redevelopment bonds** – Private activity bonds issued to finance certain acquisition, clearance, rehabilitation and relocation activities for redevelopment purposes by a governmental entity in designated blighted areas. Qualified redevelopment bonds are payable from general taxes or from tax increment revenues. **See: TAX INCREMENT BOND.**

**Qualified small issue bonds** – Private activity bonds issued to finance manufacturing facilities.

Qualified small issue bonds may be issued on a tax-exempt basis in an amount up to \$1 million, taking into account certain prior issues, or an amount up to \$10 million, taking into account certain capital expenditures incurred during the three years prior and the three years following the issuance of such bonds.

**Qualified student loan bonds** – Private activity bonds issued to finance student loans for attendance at higher education institutions.

**Qualified veterans' mortgage bonds** – Private activity bonds that are general obligations of a state issued to fund mortgage loans to finance owner-occupied residential property for veterans. The ability of states to issue new and refunding qualified veterans' mortgage bonds on a tax-exempt basis is limited.

**See: INDUSTRIAL DEVELOPMENT BOND.**

**PRIVATE BUSINESS USE TEST** – **See: PRIVATE ACTIVITY BOND.**

**PRIVATE LOAN FINANCING TEST** – **See: PRIVATE ACTIVITY BOND.**

**PRIVATE PLACEMENT** – A primary offering in which a placement agent sells a new issue of municipal securities on behalf of the issuer directly to investors on an agency basis rather than by purchasing the securities from the issuer and reselling them to investors. Investors purchasing privately placed securities often are required to agree to restrictions as to resale and are sometimes requested or required to provide a private placement letter to that effect. **See: DIRECT LOAN; INVESTOR LETTER; PLACEMENT AGENT. Compare: LIMITED OFFERING.**

**PRIVATE PLACEMENT LETTER** – **See: INVESTOR LETTER.**

**PRIVATE PLACEMENT MEMORANDUM** – A document functionally similar to an official statement used in connection with an offering of municipal securities in a private placement. Circulation of a private placement memorandum often is strictly controlled to avoid distribution to investors who may not be qualified to purchase the securities. **Compare: OFFICIAL STATEMENT.**

**PRIVATE SECURITY OR PAYMENT TEST** – **See: PRIVATE ACTIVITY BOND.**

**PROCEEDS** – **See: BOND PROCEEDS.**

**PRODUCTION** – The total of all of the various components of the underwriter spread that is associated with the pricing of a new issue. **See: SPREAD.**

**PRO FORMA** – A revenue projection showing anticipated costs and revenue for the period of the projection, generally not more than five years.

**PROGRAM DEALER** – A municipal securities dealer engaged by an issuer of auction rate securities to receive orders for the auction rate securities during a Dutch auction and to submit such orders directly to the auction agent for the auction rate securities. **See: AUCTION AGENT; AUCTION RATE SECURITIES; DUTCH AUCTION.**

**PROGRAM DESCRIPTION** – **See: PROGRAM DISCLOSURE DOCUMENT.**

**PROGRAM DISCLOSURE DOCUMENT** – The issuer’s disclosure document (sometimes referred to as a “disclosure statement, “plan disclosure document” or “program description”) for the offering of shares or units in a 529 savings plan. **See: 529 SAVINGS PLAN; OFFICIAL STATEMENT.**

**PROGRAM MANAGER** – An entity retained by a state sponsor of a 529 savings plan to manage the program.

**PROJECT FUND** – A fund (sometimes referred to as a “construction fund”) under the bond contract in which bond proceeds and other available funds are deposited pending disbursement to pay costs of the financed project.

**PRO-RATA REDEMPTION** – A predetermined process of selecting bonds for redemption based on the bondholders’ proportionate share of the outstanding principal amount. **See: REDEMPTION PROVISIONS.**

**PRO-RATA SHARE** – **See: PARTICIPATION.**

**PRO-RATA SINKING FUND CALL** – The use of a pro-rata redemption process to effect a sinking fund redemption. **See: PRO-RATA REDEMPTION; REDEMPTION.**

**PROTECTIVE COVENANT** – **See: COVENANT.**

**PROVISIONAL RATING** – An indication of what the credit quality of an issue is expected to be after a construction or interim period is concluded. The provisional rating does not, however, represent a judgment of what might happen if problems are experienced during the construction or interim period, or of the likelihood of such problems occurring. Provisional ratings are typically assigned when the debt service on an issue is secured solely by revenues to be derived from a project whose construction is financed by the issue; the rating remains provisional until the construction is completed and the project has begun to generate the revenues. These types of ratings are sometimes referred to as “conditional ratings.” **See: RATINGS; UNDERLYING RATING.**

**PUBLIC PRIVATE PARTNERSHIPS (P3s)** – A generic term for a wide variety of financial arrangements whereby governmental and private entities agree to transfer an ownership interest of, or substantial management control over, a governmental asset to the private entity in exchange for upfront or ongoing payments.

**PUBLIC SALE** – **See: COMPETITIVE SALE.**

**PURCHASE CONTRACT** – **See: BOND PURCHASE AGREEMENT.**

**PUT BOND** – **See: TENDER OPTION BOND.**

**PUT OPTION** – **See: TENDER OPTION.**

**PUTTABLE SECURITY** – **See: TENDER OPTION BOND.**



**QUALIFIED 501(c)(3) BOND** – See: **PRIVATE ACTIVITY BOND** – **Qualified 501(c)(3) bonds.**

**QUALIFIED BID** – A bid in the secondary market entered to purchase bonds subject to conditions set forth by either party to the transaction. For example, the purchaser might stipulate that a legal opinion acceptable to it must be available on the security or that the bid is only valid if the seller can guarantee delivery by a certain date; similarly, the seller might impose certain requirements. **Compare: BID.**

**QUALIFIED BOND** – A private activity bond that meets certain requirements under the Internal Revenue Code in order for the interest thereon to be excluded from gross income for federal income tax purposes. Also sometimes referred to as a “qualified private activity bond.” **See: PRIVATE ACTIVITY BOND.**

**QUALIFIED DISABILITY EXPENSES** – Any expense related to the designated beneficiary of an ABLÉ account incurred as a result of living with blindness or a disability. Qualified disability expenses include education; housing; transportation; employment training and support; assistive technology and personal support services; health, prevention and wellness; financial management and administrative services; legal fees; expenses for oversight and monitoring; funeral and burial expenses; and other expenses. **See: ABLE PROGRAM; DESIGNATED BENEFICIARY.**

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**QUALIFIED ENERGY CONSERVATION BOND (QECBs)** – Bonds issued to finance energy conservation projects. At the election of the issuer, the issuer is entitled to receive a direct pay subsidy or the bondholders are entitled to receive a federal tax credit in lieu of interest. **See: DIRECT PAY SUBSIDY BOND; TAX CREDIT BOND.**

**QUALIFIED HIGHER EDUCATION EXPENSES** – Certain costs of higher education specified in Section 529 of the Internal Revenue Code for which investments in 529 plans may be applied on a tax-advantaged basis. **See: 529 PLAN.**

**QUALIFIED LEGAL OPINION** – A legal opinion of bond counsel, sometimes referred to as a “reasoned opinion,” that is conditional or otherwise subject to qualifications. A legal opinion generally is not considered to be qualified if it is subject to customary assumptions, limitations and qualifications or if the opinion is otherwise explained. In the municipal securities market, legal opinions have traditionally been unqualified. **See: LEGAL OPINION. Compare: UNQUALIFIED LEGAL OPINION.**

**QUALIFIED MORTGAGE BOND** – **See: HOUSING REVENUE BOND** – Single family mortgage revenue bonds; **PRIVATE ACTIVITY BOND** – Qualified mortgage bonds.

**QUALIFIED PRIVATE ACTIVITY BOND** – **See: QUALIFIED BOND.**

**QUALIFIED REDEVELOPMENT BOND** – **See: PRIVATE ACTIVITY BOND** – Qualified redevelopment bonds; **TAX INCREMENT BOND.**

**QUALIFIED SCHOOL CONSTRUCTION BOND (QSCBs)** – Bond issuance authorized under American Recovery and Reinvestment Act of 2009 for capital improvements and/or the acquisition of land at K-12 schools. At the election of the issuer, the issuer is entitled to receive a direct pay subsidy or the bondholders are entitled to receive a federal tax credit in lieu of interest. **See: DIRECT PAY SUBSIDY BOND; TAX CREDIT BOND.**

**QUALIFIED SMALL ISSUE BOND** – **See: PRIVATE ACTIVITY BOND** – Qualified small issue bonds.

**QUALIFIED STUDENT LOAN BOND** – **See: PRIVATE ACTIVITY BOND** – Qualified student loan bonds.

**QUALIFIED TAX CREDIT BONDS** – Certain categories of tax credit bonds that must meet the applicable qualified tax credit bond requirements set out in the Internal Revenue Code. **See: NEW CLEAN RENEWABLE ENERGY BONDS; QUALIFIED ENERGY CONSERVATION BONDS; QUALIFIED SCHOOL CONSTRUCTION BONDS; QUALIFIED ZONE ACADEMY BONDS.**

**QUALIFIED TAX-EXEMPT OBLIGATION** – **See: BANK QUALIFIED.**

**QUALIFIED TUITION PROGRAM** – **See: 529 PLAN.**

**QUALIFIED VETERANS’ MORTGAGE BOND** – **See: PRIVATE ACTIVITY BOND** – Qualified veterans’ mortgage bonds.

**QUALIFIED ZONE ACADEMY BONDS (QZAB)** – Municipal securities issued to finance projects for certain eligible public schools in conjunction with private business contributions. At the election of the issuer, the issuer is entitled to receive a direct pay subsidy or the bondholders are entitled to receive a federal tax credit in lieu of interest. **See: DIRECT PAY SUBSIDY BOND; TAX CREDIT BOND.**

**QUOTATION** – A term used colloquially to describe a bid for or offer of municipal securities. **Compare: WORKABLE.**



**RATE COVENANT** – See: **COVENANT**.

**RATE LOCK AGREEMENT** – An agreement whereby an issuer who anticipates issuing bonds at a future date can effectively lock in a specified interest rate. At the time of issue, the counter-party will make a payment to the issuer if interest rates have increased from the specified interest rate or the issuer will make a payment to the counter-party if interest rates have decreased from the specified interest rate.

**RATING AGENCY** – A company that provides ratings that indicate such company's opinion of the relative credit quality of securities. See: **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**.

**RATINGS** – An opinion by a rating agency of the credit-worthiness of a bond. See: **CREDIT WATCH; DOWNGRADE; INVESTMENT GRADE; NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION; PROVISIONAL RATING; RATING AGENCY; SHADOW RATING; SPLIT RATINGS; UNDERLYING RATING; UPGRADE**.

**REASONED OPINION** – See: **QUALIFIED LEGAL OPINION**.

**REBATE** – See: **ARBITRAGE REBATE**.

**REBATE CALCULATION** – See: **ARBITRAGE REBATE**.

**REBATE FUND** – See: **ARBITRAGE REBATE FUND**.

**RECEIPT VS. PAYMENT (RVP)** – A method of settling transactions whereby payment on the transaction is made when a delivery of the securities involved in the transaction is received and accepted. The term is used to refer to a transaction settled in this manner where a customer (typically an institutional investor) has sold securities to a municipal securities dealer. Compare: **DELIVERY VS. PAYMENT**.

**RECEIVE BALANCE ORDER (RBO)** – See: **BALANCE ORDER**.

**RECIPROCAL IMMUNITY DOCTRINE** – The principle that neither the states nor the federal government may tax income received from securities issued by the other (states may, however, tax the interest on obligations of other states). The doctrine provides the original basis for the federal income tax exemption on interest paid on municipal securities.

**RECLAMATION or RECLAIM** – The return by the receiving party of securities previously accepted for delivery. Reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of delivery, would have caused the delivery not to constitute good delivery. **See: GOOD DELIVERY. Compare: REJECTION.**

**RECOMMENDATION** – A communication or other course of action on the part of a municipal securities dealer with respect to a municipal securities transaction that, depending upon the facts and circumstances, directly or indirectly suggests that an investor should or should not engage in such transaction. **Compare: SOLICITED ORDER; UNSOLICITED ORDER.**

**RECORD DATE** – A predetermined date prior to the interest payment date on an issue of registered securities that is used to determine to whom the next interest payment will be made. Persons who are listed as the registered owners of the securities on the record date will receive the interest payment. The record date is usually identified in the bond contract. **See: INTEREST PAYMENT DATE.**

**RECOVERY ZONE** – Areas designated by the Internal Revenue Service as recovery zones due to economic distress and for which certain categories of municipal securities may be issued. **See: RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS; RECOVERY ZONE FACILITY BONDS.**

**RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS (RZEDBs)** – A category of taxable Build America Bonds to fund infrastructure and facility improvement in areas of significant unemployment and poverty. RZEDBs are direct pay subsidy bonds that provide a higher subsidy rate than other direct pay subsidy BABs. **See: BUILD AMERICA BONDS; DIRECT PAY SUBSIDY BONDS.**

**RECOVERY ZONE FACILITY BONDS (RZFBs)** – Tax-exempt private activity bonds issued through December 31, 2010 under the American Recovery and Reinvestment Act (ARRA) enacted in 2009 to make available certain tax benefits to financings in recovery zones. **See: PRIVATE ACTIVITY BONDS.**

**REDEMPTION** – A process by which the issuer repays to the bondholder of an outstanding security the principal amount thereof (plus, in certain cases, an additional amount representing a redemption premium) and any accrued interest on the security to the date of redemption. Although the term is normally used in connection with the issuer exercising a right under the bond contract to repay the security prior to its scheduled maturity date (often referred to as a “call”), the payment of a bond at maturity is also a redemption. Redemption provisions in the bond contract for a security may provide the issuer the right to retire the debt fully or partially before the scheduled maturity date. **See: REDEMPTION PROVISIONS. Compare: TENDER OPTION.**

**REDEMPTION DATE** – **See: CALL DATE.**

**REDEMPTION FUND** – **See: FLOW OF FUNDS – Mandatory Redemption Fund.**

**REDEMPTION PREMIUM** – An amount paid to the bondholder called for redemption in addition to the principal amount of (and any accrued interest on) the security. Redemption premiums typically are paid only in the case of certain optional redemptions. **See: PREMIUM CALL PRICE; REDEMPTION; REDEMPTION PROVISIONS.**

**REDEMPTION PRICE – See: CALL PRICE.**

**REDEMPTION PROVISIONS** – The terms of the bond contract, sometimes referred to as “call or prepayment provisions,” giving the issuer the right to redeem or call (an “optional redemption”), or requiring the issuer to redeem or call (a “mandatory redemption”), all (an “in-whole redemption”) or a portion (a “partial redemption”) of an outstanding issue of bonds prior to its stated date of maturity. Bonds may be redeemed at a specified price, usually at par or accreted value in the case of original issue discount bonds or zero coupon bonds (a “par call”) or above par or accreted value (a “premium call”), plus any accrued interest to the redemption date. Issuers may be limited to redeeming bonds on interest payment dates (an “any-interest-date redemption”) or may be permitted to redeem bonds on any date (an “any time or continuous call”).

Optional redemptions often can be exercised only on or after a specified date, typically for a municipal security beginning approximately ten years after the issue date. Some types of mandatory redemptions occur either on a scheduled basis (made in specified amounts or in amounts then on deposit in the sinking fund) or whenever a specified amount of money is available in the sinking fund (“sinking fund redemptions”). In addition, the occurrence of certain one-time or extraordinary events specified in the bond contract (an “extraordinary redemption”) may trigger an optional (an “extraordinary optional redemption”) or mandatory redemption (an “extraordinary mandatory redemption”). An extraordinary redemption may be triggered by, among other things, bond proceeds remaining unexpended by a specified date (an “unexpended proceeds redemption”), a determination that interest on the bonds is taxable (a “tax call”), a change in use of a project financed with bond proceeds that would cause interest on the bonds to become taxable (a “change in use call”), a failure of the issuer to appropriate funds needed to pay debt service on lease rental bonds or certificates of participation that are subject to appropriation (an “appropriation or non-appropriation call”), or the destruction of the facilities from which the bonds are payable (a “calamity or catastrophe call”).

In a partial redemption of an issue, the maturities from which bonds will be redeemed (a) may be selected in maturity or inverse maturity order, or (b) may be made from all or selected maturities in a manner designed to maintain a desired debt service payment characteristic with respect to the bonds that remain outstanding (a “strip call”), or (c) may be selected in the discretion of the issuer or conduit borrower. Where a particular maturity of an issue is subject to partial redemption, the specific bonds to be redeemed may be selected by lot or (if the bonds are certificated) in numerical or inverse numerical order.

**REDEVELOPMENT BOND** – A bond issued to provide funding for a redevelopment project within the issuer’s jurisdiction, usually within an area designated as adversely impacted economically or as blighted.  
**See: PRIVATE ACTIVITY BOND – Qualified Redevelopment Bond.**

**RED HERRINGS** – **See: PRELIMINARY OFFICIAL STATEMENT.**

**REFERENDUM** – **See: BOND REFERENDUM.**

**REFUNDED BONDS or REFUNDED ISSUE** – **See: PRIOR ISSUE.**

**REFUNDING** – A procedure whereby an issuer refinances outstanding bonds by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer’s interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding bonds when due in an “advance refunding” or used to promptly (typically within 90 days) retire the outstanding bonds in a “current refunding.” The new bonds are referred to as the “refunding bonds,” and the outstanding bonds being refinanced are referred to as the “refunded bonds” or the “prior issue.”



Generally, refunded bonds are not considered a part of the issuer's debt because the lien of the holders of the refunded bonds, in the first instance, is on the escrowed funds, not on the originally pledged source of revenues. **See: ADVANCE REFUNDING; CURRENT REFUNDING; DEFEASANCE.**

**REFUNDING BONDS or REFUNDING ISSUE** – Bonds issued to defease outstanding bonds. **Compare: PRIOR ISSUE.**

**REGISTERED BOND** – A bond whose owner is designated on records maintained by a registrar, the ownership of which cannot be transferred without the registrar recording the transfer on its records. Almost all municipal securities issued after June 1983 are in “fully registered” form due to provisions of the Internal Revenue Code that deny tax-exemption to interest paid on bonds that are not in registered form. Bonds initially issued as bearer bonds may be “registered as to principal only.” In this form, coupons reflecting the interest payments due remain attached to the bonds and must be detached and redeemed in order to receive the interest due. **See: BOND REGISTER; FULLY REGISTERED. Compare: BEARER BOND.**

**REGISTERED CLEARING AGENCY** – An organization, registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, that provides specialized systems for the confirmation, comparison, clearance and settlement of securities transactions. **See: NATIONAL SECURITIES CLEARING CORPORATION. Compare: DEPOSITORY TRUST COMPANY.**

**REGISTERED OWNER** – The person or entity in whose name a municipal security's ownership is registered under the bond contract. **See: BONDHOLDER. Compare: BENEFICIAL OWNER.**

**REGISTERED REPRESENTATIVE (RR)** – A person associated with a broker-dealer who has qualified by one or more examinations to perform certain regulated activities, including the sale of securities to customers. **See: BROKER.**

**REGISTRAR** – The person or entity responsible for maintaining records on behalf of the issuer that identify the owners of a registered bond issue. The trustee under a bond contract often also acts as registrar. **See: BOND REGISTER; TRUSTEE. Compare: TRANSFER AGENT.**

**REGULAR WAY TRADE** – Trade with respect to which settlement will occur based on the normal settlement cycle for the security being traded. The normal settlement cycle for municipal securities is defined in MSRB rules and may be accelerated or extended for a specific transaction by agreement of the parties. **Compare: CASH TRADE; EXTENDED SETTLEMENT; FORWARD.**

**REGULATORY AGREEMENT** – **See: LAND USE RESTRICTION AGREEMENT.**

**REGULATORY ELEMENT** – **See: CONTINUING EDUCATION.**

**REIMBURSEMENT ACCOUNT** – **See: FLOW OF FUNDS – Debt Service Fund.**

**REIMBURSEMENT AGREEMENT** – An agreement whereby the issuer of municipal securities and/or an obligor with respect to such securities agrees to reimburse the issuer of a letter of credit providing credit enhancement or liquidity for the securities for any draws made on the letter of credit to pay amounts owing on the securities. **See: LETTER OF CREDIT.**

**REIMBURSEMENT RESOLUTION** – A resolution declaring an issuer's official intent to reimburse an original expenditure with proceeds of an obligation. Under federal tax laws, an issuer may not generally reimburse itself with proceeds of tax-exempt bonds for certain expenditures made more than 60

days prior to the issuer adopting an official intent. **See: RESOLUTION. Compare: AUTHORIZING RESOLUTION; INDUCEMENT RESOLUTION.**

**REINVESTMENT RISK** – The risk that interest rates may be lower than the yield on a fixed income security when the owner seeks to reinvest interest income received from the security. The term also sometimes refers to the risk that principal repayments on such a security may be paid prior to maturity (e.g., early redemption), thereby forcing the owner to seek reinvestment of principal at a time when interest rates may be lower than the rate that was payable on the security.

**REJECTION** – Refusal to accept securities that have been presented for delivery. Securities may be rejected if the contra-party fails to make good delivery. **See: GOOD DELIVERY. Compare: RECLAMATION.**

**RELATED ACCOUNT PORTFOLIO** – A municipal securities investment portfolio, arbitrage account or related accumulation account of an underwriter or its affiliate.

**REMARKETING** – The process of reselling securities to the public that have been tendered for purchase by the previous owners thereof, typically in connection with variable rate demand obligations or other short-term municipal securities. **See: PRIMARY OFFERING; REMARKETING AGENT.**

**REMARKETING AGENT** – A municipal securities dealer responsible for reselling to investors securities (such as variable rate demand obligations and other tender option bonds) that have been tendered for purchase by their owner. The remarketing agent also typically is responsible for resetting the interest rate for a variable rate issue and may act as tender agent. **See: REMARKETING; TENDER AGENT; TENDER OPTION BOND; VARIABLE RATE DEMAND OBLIGATION. Compare: AUCTION AGENT.**

**REMARKETING FEE** – The fee paid by an issuer or a borrower to a remarketing agent for providing rate setting and remarketing services. **See: REMARKETING AGENT.**

**RENEWAL AND REPLACEMENT FUND** – **See: FLOW OF FUNDS – Renewal and Replacement Fund.**

**REOFFERING SCALE** – The prices and/or yields, listed by maturity, at which new issue securities are offered for sale to the public by the underwriter. **See: OFFERING PRICE.**

**REPRICE** – In the case of a new issue of municipal securities, the process by which the interest rates and/or public offering prices are changed from the rates and/or prices established during the initial pricing, generally as a result of substantially higher or lower investor interest in the new issue than initially expected or significant changes in market conditions. **See: PRICING; RESTRUCTURE.**

**REQUEST FOR PROPOSALS (RFP)** – A formal process by which an issuer or obligated person may gather written information from professionals for the purpose of selecting underwriters, financial advisors, attorneys, architects and providers of other services.

**RERATING** – The reevaluation of a rating on a security, typically upon a material change in the credit underlying the security (e.g., an advance refunding or change in credit enhancement). In the secondary market this typically applies to prerefunded bonds. **Compare: DOWNGRADE; UPGRADE.**

**RESERVE FUND** – **See: FLOW OF FUNDS – Debt Service Reserve Fund and Reserve Maintenance Fund.**

**RESERVE FUND REQUIREMENT** – **See: DEBT SERVICE RESERVE FUND REQUIREMENT.**

**RESERVE MAINTENANCE FUND** – See: **FLOW OF FUNDS** – Reserve Maintenance Fund.

**RESERVE REQUIREMENT** – See: **DEBT SERVICE RESERVE FUND REQUIREMENT**.

**RESOLUTION** – (1) The official action of the governing body of an issuer, typically adopted by a vote of the members of the governing body at a public meeting.

(2) The term may also refer to the official action of an obligor. **Compare: ORDINANCE**.

**RESTRUCTURE** – (1) A repricing of a new issue of municipal securities, although in some cases a restructuring involves more significant modifications to the structure of the new issue than a typical repricing, including changing the principal amounts and/or maturity schedule of the offering. **See: REPRICE**.

(2) In the workout of a defaulted issue of municipal securities, the modification of the terms of, or security for, the issue.

**RETAIL ORDER PERIOD** – See: **ORDER PERIOD**.

**RETENTION** – The number of bonds allotted/allocated at the outset of the order period to members of a syndicated negotiated offering. **See: ALLOCATION; PRIORITY PROVISIONS**.

**REVENUE ANTICIPATION NOTE (RAN)** – See: **NOTE** – Revenue anticipation notes.

**REVENUE BOND** – A bond that is payable from a specific source of revenue. Pledged revenues may be derived from operation of the financed project, grants, or excise or other specified non-ad-valorem taxes. Generally, no voter approval is required prior to issuance of such obligations. Only the revenue specified in the bond contract is required to be used for repayment of interest and principal. **Compare: GENERAL OBLIGATION BOND**.

**REVENUE FUND** – See: **FLOW OF FUNDS** – Revenue Fund.

**REVOLVING FUND** – A fund, typically created with bond proceeds and/or grant funds, that makes loans to borrowers and uses loan repayments to make additional loans.

**RISKLESS PRINCIPAL TRANSACTION** – A matching pair of purchase and sale transactions in a municipal security executed by a municipal securities dealer as principal under circumstances where such matched transactions effectively eliminate principal risk to the municipal securities dealer.

**ROLL OVER** – (1) Payment of maturing commercial paper with a new issue of commercial paper. **See: NOTE** – Commercial paper.

(2) The transfer of all or a portion of an existing 529 savings plan account into a different 529 savings plan account. **See: 529 SAVINGS PLAN**.

**ROUND LOT** – A principal amount of securities that is considered a normal trading unit. **Compare: ODD LOT**.

**RULE 10b-5** – A rule promulgated under the Securities Exchange Act of 1934 that makes it unlawful for any person, in connection with the purchase or sale of any security, (a) to employ any device, scheme, or artifice to defraud; (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they

were made, not misleading; or (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. **See: DUE DILIGENCE; FULL DISCLOSURE; INSIDER TRADING; MATERIAL OMISSION.**

**RULE 15c2-12** – An SEC rule governing the obligations of dealers regarding municipal securities disclosure under the Securities Exchange Act of 1934. **See: ANNUAL FINANCIAL INFORMATION; CONTINUING DISCLOSURE; CONTINUING DISCLOSURE AGREEMENT; ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM; EVENT DISCLOSURE; NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY.**



**SAFE HARBOR** – A provision of a rule or regulation that outlines certain steps that, if followed, will be viewed as compliant with the applicable portion of the rule or regulation.

**SALE DATE** – See: **AWARD**.

**SALE RESOLUTION** – See: **AWARD RESOLUTION**.

**SALES LOAD** – See: **LOAD**.

**SALES TAX BOND** – A municipal security payable from pledged sales taxes. See: **LIMITED TAX BOND**. Compare: **GENERAL OBLIGATION BOND**.

**SCALE** – See: **REOFFERING SCALE**.

**SEALED BID** – A bid, typically in a competitive new issue offering, where the terms are not disclosed until a pre-determined time and date.

**SECONDARY INSURANCE** – Credit enhancement acquired for bonds trading in the secondary market. See: **CREDIT ENHANCEMENT**.

**SECONDARY MARKET** – Trades in securities other than during the initial distribution of new issues by the underwriter or underwriting syndicate. Compare: **PRIMARY MARKET**.

**SECONDARY MARKET DISCLOSURE** – Disclosure by or on behalf of an issuer or any obligated persons of outstanding municipal securities following the initial issuance of municipal securities of information material to an investment decision relating to such securities. Secondary market disclosures provided under continuing disclosure agreements as well as other continuing disclosures are posted on the Electronic Municipal Market Access (EMMA) system. See: **CONTINUING DISCLOSURE; ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM; RULE 15c2-12**.

**SECOND LIEN BONDS** – See: **JUNIOR LIEN BONDS**.

**SECURITIES ACT OF 1933** – Federal securities legislation originally enacted in 1933 that provides for, among other things, the registration of securities with the Securities and Exchange Commission and the preparation and distribution of prospectuses. Issuers of municipal securities are generally exempt from these requirements, although certain anti-fraud provisions under the Securities Act apply to such issuers. **See: EXEMPT SECURITIES.**

**SECURITIES AND EXCHANGE COMMISSION (SEC or THE COMMISSION)** – The federal agency responsible for supervising and regulating the securities industry. Although municipal securities are exempt from the SEC’s registration requirements, municipal securities dealers and municipal advisors are subject to SEC regulation and oversight. The SEC also has responsibility for the approval of MSRB rules and enforces anti-fraud provisions of the federal securities laws in the sale and purchase of municipal securities. **See: SECURITIES ACT OF 1933; SECURITIES EXCHANGE ACT OF 1934; RULE 10b-5.**

**SECURITIES EXCHANGE ACT OF 1934** – Federal securities legislation originally enacted in 1934 that provides for, among other things, the regulation of the marketplace for securities. Regulation of broker-dealer activities in the municipal securities market is primarily effected through the rules of the MSRB, which was created under Section 15B of the Securities Exchange Act. In addition, certain SEC rules, including but not limited to Rule 10b-5 and Rule 15c2-12, apply to transactions in municipal securities.

**SECURITIES INVESTOR PROTECTION CORPORATION (SIPC)** – A non-profit corporation created by the Securities Investor Protection Act of 1970 under which investors are partially insured against the possibility of loss resulting from the insolvency of a broker-dealer.

**SECURITY** – Generally, an instrument evidencing debt of or equity in a common enterprise in which an investment is made on the expectation of financial return. The term includes notes, stocks, bonds, debentures or other forms of negotiable and non-negotiable equities or evidences of indebtedness or ownership.

**SECURITY FOR THE BONDS or SECURITY** – The specific revenue sources or assets of an issuer or borrower that are pledged or available for payment of debt service on a series of bonds, as well as the covenants or other legal provisions protecting the bondholders.

**SELF-LIQUIDATING DEBT** – **See: SELF-SUPPORTING DEBT.**

**SELF-LIQUIDITY** – A term used in connection with variable rate bond financings whereby the issuer or conduit borrower agrees to repurchase with its own capital bonds that have been tendered but not yet remarketed without procuring a third-party liquidity facility. In this instance, the issuer or conduit borrower uses its own funds to purchase securities. **Compare: LIQUIDITY FACILITY.**

**SELF-SUPPORTING DEBT or SELF-LIQUIDATING DEBT** – Debt that is to be repaid exclusively from specified pledged revenues. **Compare: DOUBLE-BARRELED BOND; TAX-SUPPORTED DEBT.**

**SELLING AGREEMENT** – An agreement between a selling dealer and a primary distributor providing for the sale to customers by the selling dealer of municipal fund securities. **See: PRIMARY DISTRIBUTOR; SELLING DEALER.**

**SELLING BROKER** – **See: SELLING DEALER.**

**SELLING DEALER** – A municipal securities dealer, other than a primary distributor, that sells municipal fund securities to customers pursuant to a selling agreement. Selling dealers are most commonly used in connection with 529 savings plans. **See: 529 SAVINGS PLAN; MUNICIPAL FUND SECURITY; SELLING AGREEMENT. Compare: PRIMARY DISTRIBUTOR.**

**SELLING GROUP** – A group of municipal securities dealers that assists in the distribution of a new issue of municipal securities. Selling group members are able to participate in the initial distribution at a concession or dealer's allowance (i.e., at a discount from the public offering price, which discount may be less than or equal to the total takedown) but do not participate in residual syndicate profits nor share any liability for any unsold balance. **Compare: SYNDICATE.**

**SELLING GROUP AGREEMENT** – Agreement whereby municipal securities dealers may participate in the distribution of a new issue of municipal securities as members of a selling group without being members of the underwriting syndicate. **See: SELLING GROUP. Compare: AGREEMENT AMONG UNDERWRITERS.**

**SELL-OUT** – **See: CLOSE-OUT.**

**SENIOR LIEN BONDS** – Bonds having the priority claim against pledged revenues superior to the claim against such pledged revenues or security of other obligations. **Compare: JUNIOR LIEN BONDS; PARITY BONDS.**

**SENIOR MANAGER** – **See: MANAGER.**

**SERIAL BONDS** – Bonds of an issue that mature in consecutive years or other intervals and are not subject to mandatory sinking fund provisions. **Compare: TERM BONDS.**

**SERIES OF BONDS** – Bonds of an issue sharing the same lien on revenues and other basic characteristics. A series of bonds may consist of serial bonds, term bonds or both. **See: SERIAL BONDS; TERM BONDS.**

**SERIES RESOLUTION** – A resolution adopted by an issuer in connection with the issuance of one or more series of additional bonds under a master resolution. The series resolution often will constitute the award resolution for such bonds. **See: AWARD RESOLUTION; ORDINANCE; RESOLUTION. Compare: MASTER RESOLUTION; SUPPLEMENTAL INDENTURE.**

**SETTLEMENT** – Delivery of and payment for a security. **See: DELIVERY DATE; GOOD DELIVERY. Compare: CLEARANCE.**

**SETTLEMENT DATE** – The date on which settlement is scheduled to occur. This date is used in price and interest calculations. **See: DELIVERY DATE; SETTLEMENT. Compare: TRADE DATE.**

**SHADOW CALENDAR** – A potential new issue of municipal securities for which no definitive offering date has been set. **Compare: HIDDEN CALENDAR.**

**SHADOW RATING** – Credit assessment by a rating agency that is not published. An issuer typically uses this rating when negotiating with an insurer or other credit enhancer. **See: RATINGS.**

**SHORT COUPON** – An interest payment for a period shorter than the standard six months. **Compare: LONG COUPON.**

**SHORT POSITION** – A trading inventory position reflecting a sale by a municipal securities dealer of securities that it did not own at the time of sale. **See: SHORT SALE.**

**SHORT SALE** – A sale of securities that the selling party does not own. A selling municipal securities dealer is obliged to go into the market and subsequently purchase the securities from a third party in order to make delivery on this transaction. **See: SHORT POSITION.**

**SHORT TERM OR SHORT-TERM RANGE** – (1) A designation given to maturities of a serial issue typically having maturities of shorter than three years from issuance.

(2) A bond or note that matures in three years or less. However, depending upon the context, a shorter period to maturity may be intended (e.g., nine or 13 months). **Compare: INTERMEDIATE RANGE; LONG TERM.**

**SID** – A separately identifiable department or division of a bank that engages in municipal securities activities. **See: BANK DEALER.**

**SIGNATURE GUARANTEE** – A written representation placed by an authorized person on the assignment or bond power attached to a registered certificated security. The guarantee affirms that the person who signed the assignment or bond power is the person in whose name the securities are registered or is authorized to act on behalf of such person and that the signature is genuine. The signature guarantee provides assurance to the transfer agent that the transfer is proper and can be completed. **See: ASSIGNMENT.**

**SINKER** – A colloquial term for a term maturity of a bond issue that is subject to sinking fund redemptions. **See: REDEMPTION PROVISIONS. Compare: SUPER SINKER.**

**SINKING FUND** – **See: FLOW OF FUNDS – Sinking Fund.**

**SINKING FUND CALL or REDEMPTION** – **See: REDEMPTION PROVISIONS.**

**SLGS** – An acronym (pronounced “slugs”) for “State and Local Government Series.” SLGS are special Treasury securities sold by the United States Treasury Department to states, municipalities and other local government bodies. The interest rates and maturities of SLGS can be subscribed for by an issuer of municipal securities in such a manner as to comply with arbitrage restrictions imposed under the Internal Revenue Code. SLGS are most commonly used for deposit in an escrow account in connection with the issuance of refunding bonds. **See: ADVANCE REFUNDING; REFUNDING; TREASURY SECURITIES.**

**SOLE MANAGER** – **See: MANAGER.**

**SOLICITED ORDER** – An order from a customer resulting from a direct communication initiated by the municipal securities dealer. **See: RECOMMENDATION. Compare: UNSOLICITED ORDER.**

**SOPHISTICATED INVESTOR LETTER** – **See: INVESTOR LETTER.**

**SOURCES AND USES** – A table, commonly included in an official statement, identifying the source from which such funds are derived, including bond proceeds and other available funds, and the application of such funds in connection with a new issue of municipal securities.

**SPECIAL ASSESSMENT** – A charge imposed against a property in a particular locality because that property receives a special benefit by virtue of some public improvement, separate and apart from the general benefit accruing to the public at large. Special assessments may be apportioned according to the value of the benefit received, rather than merely the cost of the improvement. **See: BENEFITED PROPERTIES. Compare: TAX.**

**SPECIAL ASSESSMENT BOND** – An obligation payable from revenues of a special assessment. **See: SPECIAL ASSESSMENT; DIRT BONDS. Compare: GENERAL OBLIGATION BOND; SPECIAL TAX BOND.**



**SPECIAL DISTRICTS** – Single-purpose or limited-purpose units of government formed under state enabling legislation to meet certain local needs not satisfied by existing general purpose governments in a given geographical area.

**SPECIAL OBLIGATION BOND** – A bond secured by a limited revenue source or promise to pay.  
**Compare: GENERAL OBLIGATION BOND.**

**SPECIAL REDEMPTION** – An alternate term for extraordinary redemption. **See: REDEMPTION PROVISIONS.**

**SPECIAL TAX BOND** – A bond secured by revenues derived from one or more designated taxes other than ad valorem taxes. For example, bonds for a particular purpose might be supported by sales, cigarette, fuel or business license taxes. **See: SALES TAX BOND. Compare: GENERAL OBLIGATION BOND; SPECIAL ASSESSMENT BOND.**

**SPECIAL TAX COUNSEL** – A lawyer or law firm employed to give an opinion that the interest on tax-exempt bonds qualifies for exclusion from gross income of the bondholders thereof for federal income tax purposes. **Compare: BOND COUNSEL; LEGAL OPINION.**

**SPEED** – **See: PREPAYMENT SPEED**

**SPLIT RATINGS** – An assignment of different ratings on an issue of municipal securities by two or more rating agencies. **See: RATINGS. Compare: UNDERLYING RATING.**

**SPREAD** – (1) **Underwriter Spread** – With respect to a new issue of municipal securities, the difference between the price paid by the underwriter to the issuer for the new issue and the prices at which the securities are initially offered to the investing public; this is also termed the “gross spread,” “gross underwriting spread” or “production.” The spread is usually expressed in dollars or points per bond. Historically, the spread has consisted of four components, although one or more components may not be present in any particular offering:

**Expenses** – The costs of operating the syndicate for which the senior manager may be reimbursed.

**Management Fee** – The fixed percentage of the spread that is paid to the senior manager and/or co-managers for handling the affairs of the syndicate.

**Takedown** – Normally the largest component of the spread, similar to a commission, which represents the income derived from the sale of the securities. If bonds are sold by a member of the syndicate, the seller is entitled to the full takedown (also called the “total takedown”). If bonds are sold by a municipal securities dealer that is not a member of the syndicate, such seller receives only that portion of the takedown known as the concession or dealer’s allowance, with the balance (often termed the “additional takedown”) retained by the syndicate.

**Risk or Residual** – The amount of profit or spread left in a syndicate account after meeting all other expenses or deductions. A portion of the residual is paid to each underwriter within a syndicate on a pro rata basis according to the number of bonds each municipal securities dealer has committed to sell without regard to the actual sales by each member.

**See: CONCESSION; MANAGEMENT FEE; SYNDICATE.**

(2) **Bid-offer Spread** – With respect to securities trading in the secondary market, the differential between the bid price and the offering price in a two-sided market quotation. This is often referred to as a “bid-offer spread” or “bid-ask spread.” **See: BID; OFFER; TWO-SIDED MARKET.**

(3) **Yield Spread** – The difference in yields, expressed in basis points, as a spread between two securities or between a security and an index or benchmark. **See: SPREAD COMPRESSION.**

**SPREAD COMPRESSION** – The narrowing of relative spreads between different types of securities, such as municipal securities vs. U.S. government securities, securities with different ratings, revenue bonds vs. general obligation bonds, securities issued in different sectors.

**SPRINGING RESERVE** – **See: FLOW OF FUNDS – Debt Service Reserve Fund.**

**STABILIZATION** – A practice, generally used in the equity market in connection with certain public offerings in which an underwriter posts an open bid for securities at a stated price, or purchases such securities in the secondary market if the offering price declines below a certain level. Stabilization is intended to maintain an orderly market for the securities during the underwriting and to prevent sharp fluctuations in the market for the securities due simply to supply factors.

**STANDBY BOND PURCHASE AGREEMENT** – A form of liquidity for bonds, usually an agreement with a third party such as a bank in which the third party agrees to purchase variable rate demand obligations tendered for purchase in the event that they cannot be remarketed. Unlike a letter of credit, a standby bond purchase agreement contains termination events and is not an unconditional obligation to purchase variable rate demand obligations and does not guarantee the payment of principal and interest by the issuer. **See: LIQUIDITY FACILITY; STANDBY LETTER OF CREDIT; TENDER OPTION BOND; VARIABLE RATE DEMAND OBLIGATION. Compare: CREDIT ENHANCEMENT; LETTER OF CREDIT.**

**STANDBY LETTER OF CREDIT** – A type of credit enhancement that supplies liquidity or both liquidity and credit support **See: STANDBY BOND PURCHASE AGREEMENT.**

**STATE OR LOCAL GOVERNMENT POOL** – **See: LOCAL GOVERNMENT INVESTMENT POOL.**

**STEPPED COUPON BONDS** – Bonds on which the fixed interest rate periodically changes (generally by increasing) over their life on specified dates and at specified interest rates. Also called dual coupon bond.

**STICKERING** – The act of amending or supplementing the information provided in an official statement on a new issue during the primary offering disclosure period. The amendment typically provides current information regarding new developments affecting the issuer or the issue and/or updated or corrected information regarding matters already discussed in the official statement. The definition arises from the practice in past years of actually attaching a sticker with the additional information to the official statement. Modern stickering usually takes the form of a separate supplemental document. **See: OFFICIAL STATEMENT.**

**STREET NAME** – The registration of municipal securities in the name of a municipal securities dealer or nominee. Securities registered in this manner generally can be transferred more easily than securities with other forms of registration and are considered to be in good delivery form for purposes of inter-dealer transactions. **See: BENEFICIAL OWNER. Compare: NOMINEE.**

**STRIKE PRICE** – A specific price at which a specific option or other derivative contract can be exercised.

**STRIP CALL** – **See: REDEMPTION PROVISIONS.**

**STRIP ORDER** – An order for serial bonds in successive maturities in a new issue underwriting.

**STRIPPED COUPON SECURITIES** – Securities consisting of interest payments on municipal securities that have been “stripped” from the underlying security and sold separately to investors. **Compare: STRIPS.**

**STRIPS** – Acronym for “Separate Trading of Registered Interest and Principal Securities.” STRIPS consist of an ownership interest in a specified principal amount of a Treasury security that has been separated (stripped) at issuance of the right to receive any interest payments thereon, or an ownership interest in a specified amount of any such stripped interest payment coming due on a specific interest payment date. In either case, the owner of the STRIPS will receive a single payment upon “maturation” of the STRIPS. STRIPS have the economic and trading characteristics of a zero coupon bond. **See: TREASURY SECURITIES; ZERO COUPON BOND.**

**STUB PERIOD FINANCIALS or STUB PERIOD AUDIT** – **See: INTERIM (PERIOD) FINANCIAL STATEMENTS.**

**STUDENT LOAN MARKETING ASSOCIATION (SLMA)** – The commonly known name for SLM Corporation (formerly known as Student Loan Marketing Association, SLMA or Sallie Mae). SLM Corporation is a publicly traded financial services company specializing in education, whose operations include originating and servicing student loans. SLM Corporation and its subsidiaries are not sponsored by or agencies of the United States of America.

**SUBJECT BID OR OFFER** – A bid or offer that is subject to change or confirmation at a later date. **Compare: FIRM PRICE.**

**SUBJECT TO APPROPRIATION** – A term that refers to payments that are subject to approval from time to time by the governing body of an issuer or obligated person. Such governing body is not required to approve such payments. **See: NON-APPROPRIATION CLAUSE; SUBJECT-TO-APPROPRIATION DEBT.**

**SUBJECT-TO-APPROPRIATION DEBT** – Terms used to describe a variety of financing arrangements in which governmental entities borrow money without executing documents or entering agreements that constitute “debt” for state constitutional and statutory restrictions on the incurrence of debt, such as debt limits or requirements for referendum approval of debt incurrence. Common forms include leasing arrangements or the issuance of bonds through a related conduit issuer. The critical common characteristic is that the obligation of the borrowing entity to pay debt service is not absolute but instead is conditional on the applicable governing body choosing each year to appropriate funds for debt service payment. **See: ANNUAL APPROPRIATION PLEDGE; CERTIFICATE OF PARTICIPATION; DEBT LIMIT; LEASE RENTAL, LEASE REVENUE OR LEASEHOLD REVENUE BOND; MORAL OBLIGATION BOND; NON-APPROPRIATION CLAUSE; SUBJECT TO APPROPRIATION.**

**SUBORDINATE LIEN BONDS** – **See: JUNIOR LIEN BONDS.**

**SUPERIOR LIEN BONDS** – **See: SENIOR LIEN BONDS.**

**SUPER SINKER** – A colloquial term for a term maturity, usually from a single family mortgage revenue issue with several term maturities, that will be the first bonds to be called from a sinking fund into which all proceeds from prepayments of mortgages financed by the issue are deposited. The maturity’s priority status under the call provisions means that it is likely to be redeemed in its entirety well before the stated maturity date. Therefore, the super sinker maturity may be considered attractive to investors because it offers long-term interest rates on what is effectively a short-term security. **See: REDEMPTION PROVISIONS. Compare: PLANNED AMORTIZATION CLASS SECURITIES; SINKER.**

**SUPPLEMENTAL COUPONS** – Additional interest payments added to a new issue security to provide compensation to the underwriters or provide additional yield to other investors.

**SUPPLEMENTAL INDENTURE** – An agreement entered into by an issuer that supplements the issuer's outstanding indenture or bond contract. Often, a supplemental indenture is executed in connection with the issuance of one or more series of additional bonds under the master or bond contract. In some cases, a supplemental indenture amends terms of the master or bond contract without providing for the issuance of additional bonds. **See: MASTER INDENTURE; BOND CONTRACT. Compare: SERIES RESOLUTION.**

**SURETY BOND** – A third-party instrument that provides security against a default in payment. Surety bonds are sometimes used in lieu of a cash deposit in a debt service reserve fund. **See: CREDIT ENHANCEMENT.**

**SURPLUS FUND** – **See: FLOW OF FUNDS – Surplus Fund.**

**SWAP** – (1) A generic term used to describe a broad range of derivative products, including but not limited to interest rate swap contracts. **See: DERIVATIVE; INTEREST RATE SWAP CONTRACT.**

(2) A sale of a security and the simultaneous purchase of another security for purposes of enhancing the investor's holdings. The swap may be used to achieve desired tax results, to gain income or principal, or to alter various features of a bond portfolio, including call protection, diversification or consolidation, and marketability of holdings. **Compare: TAX SWAP.**

**SWAP ADVISOR** – An advisor to a municipal entity or borrower in connection with the entity's or borrower's consideration of entering into an interest rate swap transaction. **See: INTEREST RATE SWAP CONTRACT.**

**SWAP CONTRACT** – **See: INTEREST RATE SWAP CONTRACT.**

**SWAPTION or SWAP OPTION** – An option held by one party that provides that party the right to require that a counter-party enter into a swap contract on certain specified terms. **See: INTEREST RATE SWAP CONTRACT.**

**SWING COUPON** – In the pricing of a negotiated sale of a new issue of municipal securities, the coupon rate on a selected maturity of the new issue that is adjusted (or "swings") in order to more precisely achieve or maximize the final production for the issue. An underwriter preparing to bid on a competitive sale of a new issue also may adjust a swing coupon to more precisely achieve or maximize the final production on its bid. **See: PRODUCTION.**

**SYNDICATE** – A group of underwriters formed to purchase (underwrite) a new issue of municipal securities from the issuer and offer it for resale to the general public. The syndicate is organized for the purposes of sharing the risks of underwriting the issue, obtaining sufficient capital to purchase an issue and broadening the distribution channels of the issue to the investing public. Most syndicates are generally structured as undivided (eastern) accounts, in which the liability for any unsold portion of the issue according to each member's percentage participation in the syndicate, rather than divided (western) accounts. **See: AGREEMENT AMONG UNDERWRITERS; DIVIDED OR WESTERN ACCOUNT; EASTERN OR UNDIVIDED ACCOUNT; MANAGER; PARTICIPATION; UNDERWRITE; UNDERWRITER. Compare: SELLING GROUP.**

**SYNDICATE ACCOUNT LETTER** – A document, also known as an agreement among underwriters, sent by the syndicate manager on a competitive new issue to the syndicate members establishing the

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syndicate rules, including the rights, duties and commitments of the senior manager and the other syndicate members with respect to the new issue of municipal securities being underwritten including the priority of allocating securities and the members' participations, among other matters. **See: AGREEMENT AMONG UNDERWRITERS.**

**SYNDICATE AGREEMENT** – **See: AGREEMENT AMONG UNDERWRITERS.**

**SYNDICATE MANAGER** – **See: MANAGER.**

**SYNDICATE MEMBER** – An underwriter that participates in an underwriting syndicate. **See: SYNDICATE; UNDERWRITER.**

**SYNTHETIC REFUNDING** – **See: ADVANCE REFUNDING.**



**TAKEDOWN** – See: **SPREAD**.

**TAKE OR PAY CONTRACT** – A sales agreement that requires the purchaser to pay the seller a minimum amount whether or not goods or services are available and, if available, whether or not the purchaser uses them. This type of contract is often used in financings for utilities. For example, in electric power sales contracts, payments will be made by the purchasers to the electricity wholesaler whether or not the power supply projects are complete or operational. Such payments are not conditioned upon the performance of the wholesaler, the completion or operation of the power project or the use of the goods or services.

**TAKE OUT** – A transaction that fully liquidates an investor's position in a given security.

**TAX** – Compulsory charge levied by a government unit for the purpose of raising revenue. Taxes are imposed under a government's taxing power and are distinguishable from special assessments, which are levied according to the benefits received, and from fees, which bear a reasonable relation to the costs of administration, services provided or regulation. **See: AD VALOREM TAX; EXCISE TAX.**  
**Compare: SPECIAL ASSESSMENT.**

**TAXABLE BOND** – See: **TAXABLE SECURITY**.

**TAXABLE EQUIVALENT YIELD** – The interest rate that must be received on a taxable security to provide the bondholder the same after-tax return as that earned on a tax-exempt bond. Because interest earned on municipal securities generally is not subject to federal income taxation, a tax-exempt bond does not have to yield to a bondholder as much as a taxable security to produce an equivalent after-tax yield; this differential is attributable to the effect of the tax liability incurred by the bondholder if it held a taxable security. The taxable equivalent yield varies according to the bondholder's marginal federal income tax

bracket and, where applicable, any state or local tax liability as well. The formula for determining the taxable equivalent yield is:

$$\text{Taxable Equivalent Yield} = \frac{\text{Tax-Exempt Yield}}{100\% - \text{Marginal Tax Bracket}}$$

**TAXABLE EXCHANGEABLE BOND** – A bond, sometimes referred to as a “Cinderella Bond,” initially issued on a taxable basis and that will convert to tax-exempt status upon the occurrence of a specified condition precedent (e.g., volume cap allocation becoming available or certain refundings). **See: CONVERTIBLE BOND.**

**TAXABLE MUNICIPAL BOND** – **See: TAXABLE MUNICIPAL SECURITY.**

**TAXABLE MUNICIPAL SECURITY** – Municipal securities the interest on which is included in gross income for federal income tax purposes. In some cases, municipal securities are initially issued on a tax-exempt basis but subsequent events (e.g., failure to comply with arbitrage requirements or change in use of proceeds to a non-qualifying purpose) may cause the Internal Revenue Service to declare the issue taxable. **See: ALTERNATIVE MINIMUM TAX; ARBITRAGE BONDS; BUILD AMERICA BONDS; PRIVATE ACTIVITY BOND; QUALIFIED BOND; VOLUME CAP. Compare: AMT BOND; TAXABLE SECURITY; TAX-EXEMPT BOND.**

**TAXABLE SECURITY** – A bond or other security that does not qualify for an exclusion from gross income under federal tax law. Corporate, U.S. government debt and agency securities generally are federally taxable. In some cases, municipal securities also are taxable under federal tax law. **See: TAXABLE MUNICIPAL SECURITY. Compare: AMT BOND.**

**TAXABLE YIELD EQUIVALENT** – **See: TAXABLE EQUIVALENT YIELD.**

**TAX ALLOCATION BOND** – **See: TAX INCREMENT BOND.**

**TAX AND REVENUE ANTICIPATION NOTE (TRAN)** – **See: NOTE – Tax and revenue anticipation notes.**

**TAX ANTICIPATION NOTE (TAN)** – **See: NOTE – Tax anticipation notes.**

**TAX BASE** – The total property and resources available to a governmental entity for taxation.

**TAX CALL** – A provision in the bond contract requiring the redemption of the bonds if it is determined that the interest on the bonds does not qualify as exempt interest to the bondholders under the Internal Revenue Code. **See: REDEMPTION PROVISIONS. Compare: MAKE WHOLE CALL.**

**TAX CERTIFICATE** – **See: ARBITRAGE CERTIFICATE.**

**TAX COMPLIANCE CERTIFICATE** – **See: ARBITRAGE CERTIFICATE.**

**TAX CREDIT BONDS** – Municipal securities that entitle the bondholder to receive, in lieu of interest payments, a credit against federal income tax. **See: BUILD AMERICA BONDS; CLEAN RENEWABLE ENERGY BONDS; QUALIFIED TAX CREDIT BONDS.**

**TAX-EXEMPT BOND** – A municipal security the interest on which is excluded from gross income for federal income tax purposes. Such interest may or may not be exempt from state income or personal

property taxation in the jurisdiction where issued or in other jurisdictions. If interest on the bond is also exempt from state income tax, it is described as “double exempt” and if such interest is also exempt from municipal, local income or other special taxes it is described as “triple exempt.” In some cases, interest on the bonds is subject to the alternative minimum tax. Interest on some municipal bonds is not exempt from federal, state or local taxes. **Compare: BUILD AMERICA BONDS; DIRECT SUBSIDY BONDS; TAX CREDIT BONDS; TAXABLE MUNICIPAL SECURITY.**

**TAX INCREMENT BOND** – A bond payable from the incremental increase in tax revenues realized from any increase in property value and other economic activity, often designed to capture the economic benefit resulting from a bond financing. Tax increment bonds, also known as tax allocation bonds, often are used to finance the redevelopment of blighted areas. **See: PRIVATE ACTIVITY BOND – Qualified redevelopment bonds.**

**TAX LOSS SWAP** – **See: TAX SWAP.**

**TAX RATE** – The amount of tax stated in terms of a unit of the tax base; for example, 10 mills per dollar of assessed valuation of taxable property. **See: MILL; MILLAGE.**

**TAX RATE LIMIT** – The maximum rate or millage of tax that a local government may levy by law. This limit may apply to taxes raised for a particular purpose or for all purposes; to a single government, or class of governments; or to all governments operating in a particular area. **See: AD VALOREM TAX; MILL; MILLAGE; TAX RATE.**

**TAX REGULATORY AGREEMENT** – **See: LAND USE RESTRICTION AGREEMENT.**

**TAX ROLL** – The official list showing the amount of taxes levied against each taxpayer or parcel of property, prepared and authenticated in proper form to warrant the collecting officers to proceed with administering the tax.

**TAX-SUPPORTED DEBT** – Long-term indebtedness payable from property tax revenues. **Compare: SELF-SUPPORTING DEBT.**

**TAX SWAP** – The sale of a security at a loss and the simultaneous purchase of another similar security. By creating a loss, the tax swap reduces the investor’s current tax liability. The tax swap may also serve purposes similar to those of other types of swaps. There are specific Internal Revenue Service regulations governing tax swaps. **Compare: SWAP; WASH SALE.**

**TECHNICAL DEFAULT** – **See: DEFAULT.**

**TEFRA** – Acronym for “Tax Equity and Fiscal Responsibility Act” of 1982. As a pre-condition for the exclusion from gross income for federal income tax purposes of interest on all qualified private activity bonds, TEFRA requires, among other things, that the issue be approved (a “TEFRA approval”) either by an elected official or body of elected officials of the applicable governmental entity after a public hearing (a “TEFRA hearing”) following reasonable public notice (a “TEFRA notice”) or by voter referendum of such governmental entity. **See: PRIVATE ACTIVITY BOND; QUALIFIED BOND.**

**TEFRA APPROVAL** – **See: TEFRA.**

**TEFRA HEARING** – **See: TEFRA.**

**TEFRA NOTICE** – **See: TEFRA.**



**TENDER** – The surrender of a security to the issuer or its agent (e.g., a tender agent) for purchase. A tender may be mandatory or optional. **See: MANDATORY TENDER; TENDER OPTION.**

**TENDER AGENT** – (1) In the case of tender option bonds, an agent of the issuer to whom bondholders tender their bonds upon a mandatory or optional tender. In many cases, the tender agent will also act as the remarketing agent for the bonds. **See: REMARKETING AGENT; TENDER; TENDER OPTION BOND.**

(2) In the case of a tender offer, a broker-dealer or bank responsible for coordinating the process of soliciting bondholders. **See: TENDER OFFER.**

**TENDER OFFER** – A proposal by an issuer or another party offering to purchase all or a portion of outstanding bonds of an issue, or one or more maturities of an issue, over a specified period.

**TENDER OPTION** – (1) A provision in a bond contract under which the investor has the right, on specified dates after required notification, to surrender the securities to the issuer (or someone acting on the issuer's behalf, such as a tender agent) at the predetermined price (usually par). This is sometimes referred to as an "optional tender" or "put option." **See: TENDER; TENDER AGENT. Compare: MANDATORY TENDER.**

(2) An instrument issued by a financial institution that permits the purchaser to sell, after giving required notice, a specified amount of securities from a specified issue to the financial institution on a predetermined future date or dates (the "expiration date(s)") at a predetermined price (the "strike price"). Tender options are generally backed by a bank letter of credit or line of credit. The tender option is often originally sold as an attachment to the security. In many cases, however, the tender option may be sold separately from that security (a "detachable call") or sold attached to other securities from the same issue. **See: DETACHABLE CALL.**

(3) An agreement made by the parties to a particular transaction under which the purchaser has the right to surrender the securities to the seller at a specified price on a specified future date or dates. This arrangement is distinguished from (2) above in that this tender option right is not transferable and is rarely reflected in a separate instrument, but rather is typically described only on, or as an attachment to, the transaction confirmation.

**TENDER OPTION BOND** – Obligations, also known as "put bonds" or "puttable securities," that grant the bondholder the right to require the issuer or a specified third party acting as agent for the issuer (e.g., a tender agent) to purchase the bonds, usually at par, at a certain time or times prior to maturity or upon the occurrence of specified events or conditions. The put option or tender option right is typically available to the investor on a periodic (e.g., daily, weekly or monthly) basis. Typically, these securities are floating or variable rate securities, with the put option exercisable on dates on which the floating rate changes. These latter securities are often called "variable rate demand obligations," or colloquially, "lower floaters." **See: FLOATER; LOWER FLOATER; TENDER; TENDER AGENT; TENDER OPTION; VARIABLE RATE; VARIABLE RATE DEMAND OBLIGATION.**

**TERM BONDS** – Bonds that come due in a single maturity whereby the issuer may agree to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity. **Compare: BALLOON MATURITY; BULLET; SERIAL BONDS; FLOW OF FUNDS – Sinking Fund.**

**TIME OF FIRST EXECUTION** – The time the underwriter plans to execute its first transaction in the new issue.

**TIME OF FORMAL AWARD** – The time at which an issuer of a new issue of municipal securities becomes contractually committed to the underwriter, by means of the formal award, to the issuance and sale of the new issue. **See: FORMAL AWARD.**

**TOMBSTONE** – An advertisement placed by underwriters announcing the terms of a new issue of municipal securities, setting forth some or all of the following information: the name of the issuer, maturities, interest rate, reoffering scale, ratings and members of the underwriting syndicate. **Compare: NOTICE OF SALE.**

**TOTAL DEBT SERVICE** – **See: DEBT SERVICE.**

**TOTAL RETURN SWAP (TRS)** – A swap designed to transfer the credit exposure of an asset between parties in which all investment earnings from a particular asset are exchanged for payments based on an established rate or rate-setting mechanism. **See: SWAP.**

**TOTAL TAKEDOWN** – **See: SPREAD.**

**TRADE DATE** – The date on which a buyer and seller effect a transaction in securities. **Compare: SETTLEMENT DATE.**

**TRANCHE** – One of a number of related securities offered as part of the same transaction. Typically seen in certain types of securities, such as housing revenue bonds and commercial paper.

**TRANSCRIPT** – **See: BOND TRANSCRIPT.**

**TRANSFER** – The process of changing the registered owner of a security by (a) updating the list of registered bondholders of an issue and (b) if the security is certificated, issuing a new securities certificate (or, in some cases, reissuing the old certificate) with the new registered owner's name imprinted on it. **See: REGISTRAR; REGISTERED BOND; TRANSFER AGENT.**

**TRANSFERABLE CUSTODIAL RECEIPTS (TCRs)** – **See: CUSTODIAL RECEIPTS.**

**TRANSFER AGENT** – The person or entity that performs the transfer function for an issue of registered municipal securities. This person or entity may be the issuer, an official of the issuer or a third party engaged by the issuer to act as its agent. The trustee under a bond contract often also acts as transfer agent. **See: REGISTERED BOND; TRANSFER; TRUSTEE. Compare: REGISTRAR.**

**TRANSFERRED PROCEEDS** – Under the Internal Revenue Code, unspent proceeds of a refunded issue that are allocated to a refunding issue when the proceeds of the refunding issue are used to pay the principal of the refunded issue. When refunded proceeds are "transferred" or allocated to a refunding issue, the refunded proceeds and any investments become subject to yield restriction and rebate at the yield on the refunding issue or yield reduction payments in lieu of rebate (sometimes referred to as a "transferred proceeds penalty"). **See: ARBITRAGE REBATE; YIELD RESTRICTION.**

**TRANSFERRED PROCEEDS PENALTY** – **See: TRANSFERRED PROCEEDS.**

**TRANSFER RESTRICTION** – **See: INVESTOR LETTER.**

**TRANSPARENCY** – The ability of the public and market participants to be able to discover information about a security, such as price, interest rates, yield, supporting documentation and material disclosures. The public dissemination of information relating to transactions in municipal securities is designed to improve price transparency. **See: ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM.**

**TRAVELLING BIG BOY LETTER** – See: **INVESTOR LETTER**.

**TRAVELLING LETTER** – See: **INVESTOR LETTER**.

**TREASURY SECURITIES** – Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds (as well as SLGS sold to issuers of municipal securities) backed by the full faith and credit of the United States Government:

**Bills** – Short-term obligations that mature in one year or less and are sold on the basis of a rate of discount.

**Notes** – Obligations that mature between one year and ten years.

**Bonds** – Long-term obligations that mature in ten years or more.

See: **SLGS**. Compare: **AGENCY SECURITIES**.

**TRIPLE EXEMPTION** – See: **TAX-EXEMPT BOND**.

**TRUE INTEREST COST BID** – An underwriter's bid that takes into account both the total dollar amount of interest payments and the timing of the interest and principal payments. See: **TRUE INTEREST COST**.

**TRUE INTEREST COST (TIC)** – Under this method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Interest is assumed to be compounded semi-annually. TIC computations produce a figure slightly different from the "net interest cost" (NIC) method because TIC considers the time value of money while NIC does not. Also known as "Canadian Interest Cost." Compare: **NET INTEREST COST**.

**TRUE LEASE** – Reference to an arrangement in which the lessee acquires use, but not ownership, of leased property and the lease term is shorter than the asset's useful life. The lessee may have an option to purchase the property, but such a purchase must be made at the property's fair market value when the option is exercised.

**TRUSTEE** – A financial institution with trust powers, designated by the issuer or borrower, that acts, pursuant to a bond contract, in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract. In many cases, the trustee also acts as custodian, paying agent, registrar and/or transfer agent for the bonds. See: **INDENTURE; PAYING AGENT; REGISTRAR; TRANSFER AGENT; BOND CONTRACT**.

**TRUST INDENTURE** – See: **INDENTURE**.

**TWO-SIDED MARKET** – A statement of the bid and offer prices at which a municipal securities dealer would be willing to effect a transaction in a security. Some municipal securities dealers make two-sided markets on larger, term bond issues. Generally, two-sided markets are made in actively traded bonds and rarely made in inactively traded bonds. See: **BID; OFFER; SPREAD**.



**UNDERLYING RATING** – In the case of a security for which credit enhancement has been obtained, the rating assigned by a rating agency to such security, on a stand-alone basis, without regard to credit enhancement. **See: RATINGS. Compare: SHADOW RATING.**

**UNDERWRITE or UNDERWRITING** – The process of purchasing all or any part of a new issue of municipal securities from the issuer and offering such securities for sale to investors. **See: SYNDICATE; UNDERWRITER.**

**UNDERWRITER or INVESTMENT BANKER**– A municipal securities dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. **See: COMPETITIVE SALE; NEGOTIATED SALE; PRIMARY DISTRIBUTOR; PRIMARY OFFERING; SYNDICATE. Compare: PLACEMENT AGENT.**

**UNDERWRITER'S COUNSEL** – An attorney or law firm retained to represent the interests of an underwriter in connection with the purchase of a new issue of municipal securities. The duties of underwriter's counsel may include review of the issuer's bond resolution and documentation on behalf of the underwriter; review of the accuracy and adequacy of disclosure in the official statement; preparation of the agreement among underwriters, purchase contract and/or the official statement; assisting the underwriter in meeting the underwriter's due diligence obligation; and delivery of a 10b-5 opinion. **See: DUE DILIGENCE; 10b-5 OPINION. Compare: BOND COUNSEL; DISCLOSURE COUNSEL.**

**UNDERWRITER'S DISCOUNT** – **See: SPREAD.**

**UNDERWRITING AGREEMENT** – A term that refers to either the agreement among underwriters or the bond purchase agreement, depending upon the particular new issue of municipal securities. **See: AGREEMENT AMONG UNDERWRITERS; BOND PURCHASE AGREEMENT.**

**UNDERWRITING PERIOD** – For purposes of SEC Rule 15c2-12, the period in connection with a primary offering of municipal securities ending on the later of the closing of the underwriting or the sale of the last of the securities by the syndicate. Rule 15c2-12 obligates an underwriter to send the final official

statement for a primary offering to any potential customer, upon request, from the time the final official statement becomes available until the earlier of 90 days from the end of the underwriting period or the time when the official statement is available to any person from the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system, but in no case less than 25 days following the end of the underwriting period. **See: ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) SYSTEM; OFFICIAL STATEMENT; PRIMARY OFFERING.**

**UNDERWRITING SYNDICATE – See: SYNDICATE.**

**UNDIVIDED ACCOUNT – See: SYNDICATE.**

**UNEXPENDED PROCEEDS CALL or REDEMPTION – See: REDEMPTION PROVISIONS.**

**UNIT INVESTMENT TRUST (UIT) – See: BOND FUND.**

**UNLIMITED TAX BOND –** A bond payable from ad valorem taxes that are not limited by law in rate or amount. **See: GENERAL OBLIGATION BOND. Compare: LIMITED TAX BOND; LIMITED TAX GENERAL OBLIGATION BOND.**

**UNQUALIFIED LEGAL OPINION –** A legal opinion of bond counsel that does not contain any qualifications. An unqualified legal opinion is frequently distinguished from a qualified or “reasoned” opinion expressing a lesser degree of confidence by the counsel delivering the opinion. A legal opinion generally is not considered to be qualified if it is subject to customary assumptions, limitations and qualifications or if the opinion is otherwise explained. In the municipal securities market, legal opinions generally are unqualified. **See: LEGAL OPINION. Compare: QUALIFIED LEGAL OPINION.**

**UNRATED SECURITY – See: NON-RATED SECURITY.**

**UNSOLICITED ORDER –** An order from a customer resulting from a communication initiated by the customer to a municipal securities dealer requesting to effect a transaction in a specific security. **See: RECOMMENDATION. Compare: SOLICITED ORDER.**

**UPGRADE –** The raising of a bond rating by a rating agency due to the improved credit quality of the issue. **See: RATINGS. Compare: DOWNGRADE.**



**VALIDATION** – (1) A procedure followed in certain states whereby the legality of a proposed issue of securities may be determined, often through a court proceeding, in advance of its issuance.

(2) A procedure whereby a certificate or coupon issued in physical form that has been torn or otherwise damaged (“mutilated”) is endorsed as being a valid or binding obligation of the issuer. Validation of damaged certificates is normally done by the issuer or its agent (e.g., the paying agent, trustee, registrar or transfer agent); validation of damaged coupons may also be done by a commercial bank. **See: CERTIFICATED SECURITY.**

**VARIABLE RATE** – An interest rate, sometimes referred to as a “floating rate,” on a security that is reset at specified intervals according to market conditions or a predetermined index or formula. **See: DUTCH AUCTION; FIXED RATE; AUCTION RATE SECURITIES; VARIABLE RATE DEMAND OBLIGATIONS; FLOATING RATE NOTE.**

**VARIABLE RATE DEMAND BOND (VRDB)** – **See: VARIABLE RATE DEMAND OBLIGATION.**

**VARIABLE RATE DEMAND OBLIGATION (VRDO)** – Floating rate obligations that have a nominal long-term maturity but have a coupon rate that is reset periodically (e.g., typically daily or weekly) by the remarketing agent. The investor has the option to put the bond back to the tender agent at any time with specified notice (e.g., seven days). The put price is par plus accrued interest. These securities typically are supported by a liquidity facility, (i.e., letter of credit, standby bond purchase credit or self-liquidity), which assists in making these securities money market fund eligible. **See: LIQUIDITY FACILITY; REMARKETING AGENT; TENDER AGENT. Compare: AUCTION RATE SECURITIES.**

**VERBAL AWARD** – An oral agreement between the issuer and the underwriter to the terms of sale of a new issue of municipal securities, pending the formal award. **Compare: AWARD; COMMITMENT WIRE; FORMAL AWARD.**

**VERIFICATION REPORT** – In a refunding or other defeasance, a report prepared by a certified public accountant or other independent third party that verifies the yield of the investments held in escrow in connection with an advance refunding bond issue and demonstrates that the cash flow from investments

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purchased with the proceeds of the refunding bonds and other funds held in escrow are sufficient to pay the principal of and interest on the refunded bonds that are being defeased. **See: ADVANCE REFUNDING; DEFEASANCE; ESCROW DEPOSIT AGREEMENT; REFUNDING.**

**VISIBLE SUPPLY** – The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by the trade publication The Bond Buyer, indicates the near-term activity in the municipal market. **See: HIDDEN CALENDAR.**

**VMIG** – **See: RATINGS.**

**VOLUME CAP** – The aggregate annual amount of private activity bonds (other than qualified veterans' mortgage bonds, qualified 501(c)(3) bonds and certain categories of exempt facility bonds) that may be issued within a state in any calendar year on a tax-exempt basis. State volume cap ceilings are established annually based upon annual state population figures. The state ceiling is allocated to the various issuing entities within the state, and to particular issues of such entities, according to rules established by the state and/or the Internal Revenue Code. **See: PRIVATE ACTIVITY BOND; QUALIFIED BOND.**



**WARRANT** – A debt security issued in certain jurisdictions that is often issued to pay project costs as they are incurred. **Compare:** **BOND**.

**WASH SALE** – A transaction in which securities are sold for the purpose of establishing a tax loss but are reacquired (or a substantially identical security is acquired) within 30 days prior to or 30 days after the date of the sale. Under such circumstances the deduction of the loss for tax purposes would be deferred. **See:** **TAX SWAP**.

**WATCHLIST** – **See:** **CREDIT WATCH**.

**WEIGHTED AVERAGE LIFE** or **WEIGHTED AVERAGE MATURITY (WAM)** – **See:** **AVERAGE LIFE**.

**WESTERN ACCOUNT** – **See:** **SYNDICATE**.

**“WHEN, AS AND IF ISSUED” (“WAI”)** – A phrase (sometimes shortened to “when issued” or “WI”) used to describe the time period in the life of a new issue of municipal securities from the original date of the sale by the issuer to the delivery of the securities to, and payment by, the underwriter. Sales made during the “when, as and if issued” period (also called the “‘when-issued’ period”) are subject to issuance of the securities.

**“WHEN ISSUED” PERIOD** – **See:** **“WHEN, AS AND IF ISSUED.”**

**“WHEN ISSUED” (“WI”)** – **See:** **“WHEN, AS AND IF ISSUED.”**

**WORKABLE** – A price at which a municipal securities dealer states its potential willingness to purchase securities. A municipal securities dealer giving a workable is free to revise its price for the securities if market conditions change. **See:** **SUBJECT BID**. **Compare:** **FIRM OR FIRM PRICE; INDICATION**.

**WORKOUT BID** – **See:** **WORKABLE**.



**WRITE-DOWN** – In cases where the market value of securities has declined since their acquisition for accounting purposes, the difference between the cost at which the securities were acquired and their current market value. **See: MARK-TO-MARKET.**

**WRITTEN AWARD** – **See: FORMAL AWARD.**

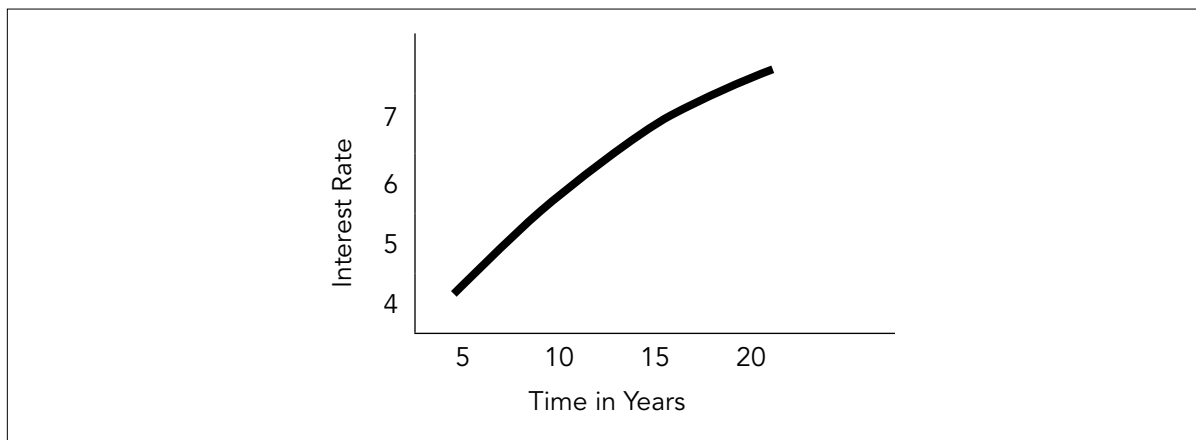


**YIELD** – The annual rate of return on an investment, based on the purchase price of the investment, its coupon rate and the length of time the investment is held. The yield of a municipal security moves inversely to the price. **See: INTEREST RATE; PRICE.**

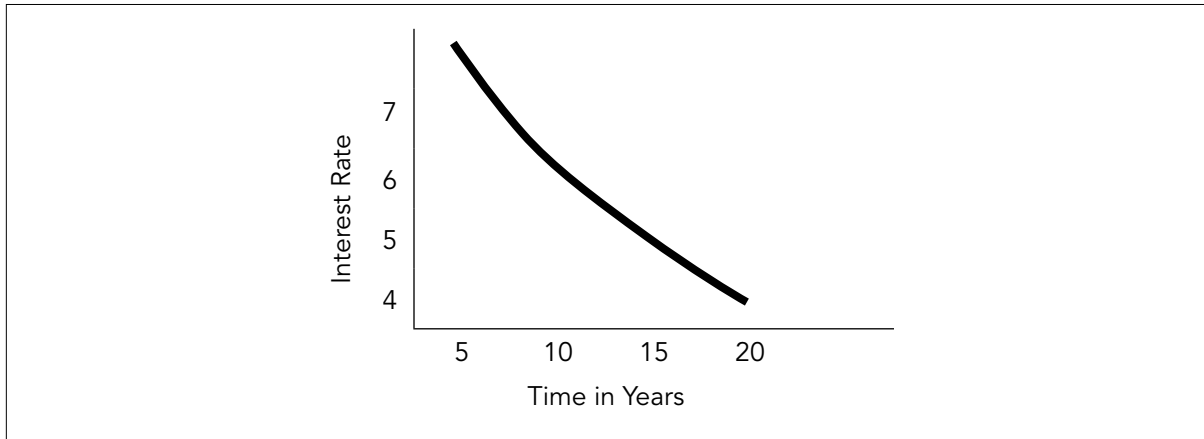
**YIELD BURNING** – In an advance refunding, the sale to an issuer of securities (typically Treasury securities) at above-market prices to be held in escrow for the purpose of reducing the yield on those securities to avoid arbitrage regulations. The SEC and Internal Revenue Service view such practice as illegal. **See: ADVANCE REFUNDING; ARBITRAGE.**

**YIELD CURVE** – A graph that plots market yields on securities of equivalent quality but different maturities at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts time to maturity. The relationship of interest rates over time, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations, as follows:

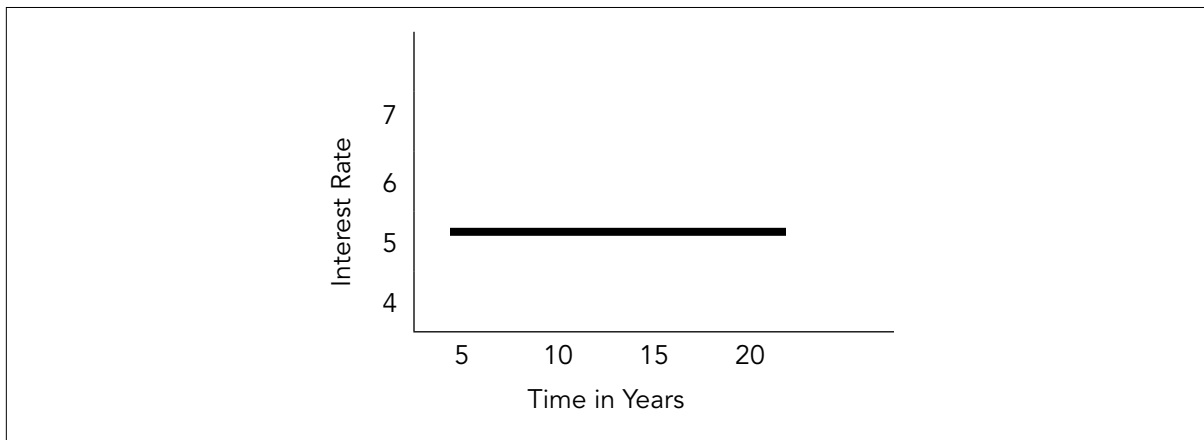
**Normal or Positive Yield Curve** – Indicates that short-term securities have a lower interest rate than long-term securities.



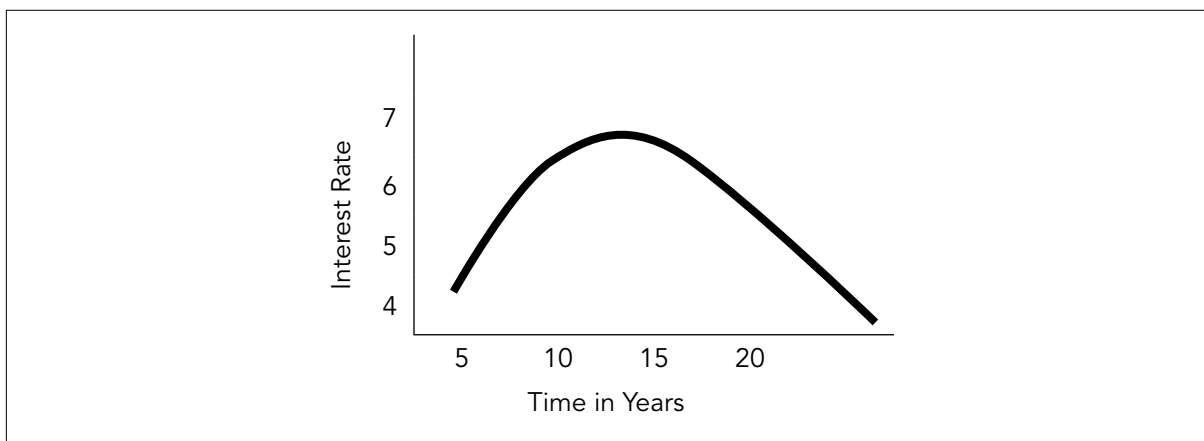
**Inverted or Negative Yield Curve** – Reflects the situation of short-term rates exceeding long-term rates.



**Flat Yield Curve** – Reflects the situation when short- and long-term rates are approximately the same.



**Humpbacked or Bell-Shaped Yield Curve** – An unusual shape, indicating that rates are low in the early years, peak in the middle years and decline in later years.



**YIELD PRICE** – See: BASIS PRICE.

**YIELD REDUCTION PAYMENT** – A payment permitted by the tax regulations in certain situations made by an issuer to the federal government in order to reduce the yield on investment of bond proceeds to meet yield restriction requirements under the Internal Revenue Code and thereby protect the tax-exempt status of the bonds. **See: ARBITRAGE; YIELD RESTRICTION. Compare: ARBITRAGE REBATE.**

**YIELD RESTRICTION** – A general requirement under the Internal Revenue Code that proceeds of tax-exempt bonds not be used to make investments at a higher yield than the yield on the bonds. The Internal Revenue Code provides certain exceptions, such as for investment of bond proceeds for reasonable temporary periods pending expenditure and investments held in “reasonably required” debt service reserve funds. **See: ARBITRAGE.**

**YIELD TO AVERAGE LIFE** – The yield calculation used, in lieu of yield to worst, where bonds are retired systematically during the life of the issue, as is the case with a sinking fund. **See: YIELD TO SINKER; YIELD TO WORST.**

**YIELD TO CALL** – The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield, presuming that the security is redeemed on a specified call date (if the security is redeemed at a premium call price, the amount of the premium is also reflected in the yield). Yield to call takes into account the amount of the premium or discount at the time of purchase, if any, and the time value of the investment. **Compare: CURRENT YIELD; YIELD TO MATURITY; YIELD TO WORST.**

**YIELD TO MATURITY** – The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield, presuming that the security remains outstanding until the maturity date. Yield to maturity takes into account the amount of the premium or discount at the time of purchase, if any, and the time value of the investment. **Compare: CURRENT YIELD; YIELD TO CALL; YIELD TO WORST.**

**YIELD TO PUT OPTION OR YIELD TO PUT** – The rate of return to the investor, presuming that the security is put back to the issuer or its agent (or a third party) by the investor on a specified date in accordance with the terms of a put option granted by the issuer (or the third party). The investment return reflected in the yield consists of the return of the principal (or the portion of the principal amount payable upon the exercise of the put) and payment of the interest (with the interest compounded semi-annually) to the put date. **Compare: YIELD TO CALL.**

**YIELD TO SINKER** – The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield, presuming that the security is redeemed on the next scheduled sinking fund date. **Compare: YIELD TO AVERAGE LIFE.**

**YIELD TO WORST** – For a given dollar price on a municipal security, the lowest of the yield calculated to the pricing call, par option or maturity. **Compare: YIELD TO CALL; YIELD TO MATURITY.**



**ZERO COUPON BOND** – An original issue discount bond on which no periodic interest payments are made but which is issued at a substantial discount from par, accreting (at the rate represented by the offering yield at issuance) to its full value at maturity. **See: COMPOUND ACCRETED VALUE; ORIGINAL ISSUE DISCOUNT; ORIGINAL ISSUE DISCOUNT BOND.** **Compare: CAPITAL APPRECIATION BOND; CURRENT INTEREST BOND.**



**10b-5 OPINION** – A letter of counsel, sometimes referred to as a due diligence opinion, generally based upon an investigation of specified facts and addressing the accuracy and completeness of the official statement. A due diligence opinion addressed to an underwriter by underwriter’s counsel customarily states that, based on certain specified inquiries, nothing has come to such counsel’s attention indicating that the official statement contains any misstatements of material facts or any material omissions. An opinion by counsel to an issuer or conduit borrower may use similar or different language to address the adequacy and accuracy of the disclosure made. **See: DUE DILIGENCE; FULL DISCLOSURE; MATERIAL OMISSION; RULE 10b-5.**

**501(c)(3) BOND** – **See: PRIVATE ACTIVITY BOND – Qualified 501(c)(3) bonds.**

**501(c)(3) ORGANIZATION** – An organization recognized by the Internal Revenue Service as a not-for-profit organization operated for charitable or other exempt purposes and not for private interests. Subject to certain IRS rules and regulations, a 501(c)(3) organization can borrow funds to finance projects on a tax-exempt basis through a governmental unit (referred to as a conduit issuer). Examples include not-for-profit colleges and universities, hospitals, museums and retirement communities. **See: CONDUIT BORROWER; CONDUIT FINANCING; PRIVATE ACTIVITY BOND – Qualified 501(c)(3) bonds.**

**529 SAVINGS PLAN** – A program established by a state as a “qualified tuition program” pursuant to Section 529 of the Internal Revenue Code. Under a 529 savings plan, a person may make contributions to an account established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account. Effective January 1, 2018, qualified higher education expenses include expenses for tuition at an elementary or secondary public, private, or religious school. Contributions generally are used to acquire units in a state trust, with trust assets invested in a manner consistent with the trust’s stated investment objectives. Units typically constitute municipal fund securities. Under current federal tax law, earnings from a 529 savings plan used for qualified higher education expenses of the designated beneficiary are excluded from gross income for federal income tax purposes. **See: DESIGNATED BENEFICIARY; 529 PLAN; MUNICIPAL FUND SECURITY; QUALIFIED HIGHER EDUCATION EXPENSES. Compare: PRE-PAID TUITION PLAN.**

*Last updated: February 23, 2018*

**529 PLAN** – A generic term for a “qualified tuition program” established under Section 529 of the Internal Revenue Code. Both 529 savings plans and pre-paid tuition plans are considered 529 plans, although the term sometimes is used to refer exclusively to 529 savings plans. **See: 529 SAVINGS PLAN; PRE-PAID TUITION PLAN.**



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