

Risk Control Assessment Glossary*

Term	Definition
1031 Tenancy in Common	A form of real estate asset ownership in the United States in which two or more persons have an undivided, fractional interest in the asset, where ownership shares are not required to be equal, and where ownership interests can be inherited.
1940 Act Exchange-Traded Funds (ETFs)	Exchange-traded funds (ETFs) are the most common type of Exchange Traded Products (ETPs). These are open-ended investment companies or unit investment trusts (and, in a very few cases, C corporations) registered under the Investment Company Act of 1940, which typically hold portfolios of equities or fixed-income instruments. Examples include the SPDR S&P 500 ETF (symbol—SPY), which is a unit investment trust, and the Vanguard Total Bond Market ETF (symbol—BND), which is an open-ended fund.
401(k) Brokerage Windows	A 401(k) feature that allows the 401(k) participants to direct a portion of their retirement contributions to investments outside of the options offered in their employer’s standard 401(k) menu. Plans with brokerage windows are often referred to as “self-directed 401(k)s”.
401(k)/403(b)/457 Plans	Tax-advantaged defined contribution retirement plans.
529 Plans	A program established by a state as a “qualified tuition program” pursuant to Section 529 of the Internal Revenue Code. Under a 529 college 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.
Aggregation Units	Historically, a multi-service broker-dealer was considered one entity, so all of its positions were aggregated to determine the firm’s net position. However, firmwide aggregation often interfered with the trading of independent units within the broker-dealer (multiple trading desks). In response, the SEC issued no-action relief that allows multi-service broker-dealers to aggregate their positions within defined trading units. This is codified as SEC Rule 200(f). Each unit is known as an “aggregation unit.”
Algorithms	A set of rules generated by computer-based decision making for order initiation, generation, routing, or execution for individual transactions without human direction.
Alpha Capture Systems (ACS)	Allow traders and research analysts to communicate in real time with buy-side institutions by electronically posting their stock picks along with basic analysis.
Alternative Trading System	A non-exchange, SEC registered trading venue that matches buy and sell orders of its subscribers.
Alternatively Weighted Index Tracking	Often referred to as Smart Beta Indices, these are indices that use alternative weighting methods to provide exposure to specific investment risk factors or strategies. Examples include equal weighting, fundamental weighting, or weighting index constituents by volatility measures.

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Asset-Backed Commercial Paper (ABCP)	Short-term debt secured by assets.
Asset-Backed Securities	A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.
Auction Rate Securities	A debt security for which the interest rate resets on a periodic basis through an auction process. The typical auction process is one referred to as a Dutch auction in which securities are sold at the lowest interest rate, or “clearing rate,” at which all of the securities that have been offered for sale by current holders of the securities will clear the market.
Authentication	The process of determining whether someone or something is, in fact, who or what it is declared to be.
Autocallable Structured Products	Autocallable notes and CDs are structured retail products that are automatically called by the issuer prior to maturity if the performance of one or more reference assets meets prespecified conditions at a certain time during the term of the product. For example, if the reference asset is at or above its initial level on a specified observation date, the product is automatically called. Payment upon autocall can vary, with some products offering full return of principal and others exposing investors to loss of principal. The autocall feature can be found in a variety of different structured product types, such as reverse convertibles.
Automated Investment Advice Solution	“Automated advice” refers to on-line tools that — broadly speaking — provide advice or assist a representative in providing advice on a potential portfolio of specific securities based on client provided background information, <i>e.g.</i> , age and risk tolerance.
Baby Bonds	Fixed income securities issued in small denominations, generally with a maximum face value of \$5,000.
Branch	A distribution channel where a branch (as defined in NASD Rule 3010) network is used to interface with customers.
Business Development Companies	A category of closed-end funds that are operated for the purpose of making investments in small and developing businesses and financially troubled businesses.
Clearing	The practice of handling clearance and settlement activities for the firm itself or performing clearing activities for correspondents.
Closed-End Funds	An investment company that issues shares like any other corporation and usually does not redeem its shares. A closed-end fund is a publicly traded fund sold on stock exchanges or over the counter that may trade above or below its net asset value.
Collateral Transformation	The practice of offering cash for collateral to companies and/or funds in exchange for less liquid securities.
Collateralized Debt Obligations	A type of asset-backed security that uses a portfolio of bonds or loans with varying levels of default risk as collateral.
Commercial Mortgage-Backed Securities	Securities collateralized by a pool of mortgages on commercial real estate in which all principal and interest from the mortgages flow to certificate holders in a defined sequence or manner.

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Commercial Paper	An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.
Commodity-Linked Notes	A structured product that pays a return linked to the performance of a commodity or basket of commodities over a defined period. On the maturity date, the note pays the initial principal amount plus return, if any, based on the percentage change in the underlying commodity (or basket).
Conflict of Interest	A conflict of interest exists when one party owes a duty of care to one or more other parties and concurrently has incentives that may work contrary to that duty.
Contingency Funding Plan	A contingency funding plan can help a broker-dealer prepare for such situations and assist in its efforts to prudently and efficiently manage extraordinary fluctuations in liquidity.
Corporate Whole Loan	Loans extended to corporate entities. These loans may or may not be syndicated and trade in the secondary market.
Correspondent Clearing	The practice of servicing non-clearing broker-dealers by comparing and settling the correspondent's contra broker trades.
Credit Default Swaps (CDS)	A credit derivative contract between two parties where the buyer makes periodic payments (over the maturity period of the CDS) to the seller in exchange for a commitment to a payoff if a third party defaults. Generally used as insurance against default on a credit asset, but can also be used for speculation.
Credit-Linked Notes	A structured product linked to an underlying index.
Critical Assets (in relation to information systems/ cybersecurity)	Systems or databases that store personally identifiable information (PII), such as social security numbers, etc., and assets that might be of importance to the firm's operations; e.g. trading or order management systems.
Currency Swaps	An agreement to swap a series of specified payment obligations denominated in one currency for a series of specified payment obligations denominated in a different currency (usually fixed for fixed).
Custodian	A financial institution that holds customers' securities for safekeeping so as to minimize the risk of their theft or loss.
Cyber Insurance	Insurance designed to mitigate losses from a variety of cyber incidents, including data breaches, business interruption, and network damage.
Data Encryption	The process of changing plain text into cipher text for the purpose of security or privacy.
Denial of Service or Distributed Denial of Service (DDoS)	An attack that prevents or impairs the authorized use of networks, systems or applications by exhausting resources.
Desk Analysts	Registered representatives and/or analysts who sit on the trading desk and produce written commentary for customers.
Direct Participation Plans (DPPs)	A business venture designated to let investors participate directly in the cash flow and tax benefits of the underlying investment.

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DVP/RVP	A settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security. DVP (delivery versus payment) is from the buyer's perspective, RVP (receive versus payment) is from the seller's perspective.
EB-5 Visa Program (Employment-Based Fifth Preference Visa Program)	A U.S. government sponsored program that allows foreign nationals to obtain permanent residency in the United States by making certain investments in domestic economic development projects, with the investment resulting in at least 10 new jobs.
Electronic Communications Network (ECN)	An electronic system that disseminates information to interested parties about the orders entered into the network and allows these orders to be executed. ECNs internally match buy and sell orders or represent the highest bid prices and lowest ask prices on the open market.
Electronic Connection	Any connection that allows a firm to transmit orders directly to the firm's order management system. Any example would be by a FIX connection.
Equity Indexed Annuities	An insurance company product purchased either in a lump sum or with a series of payments. The insurance company credits the holder with a return that is based on performance of an equity index, such as the S&P 500 Composite Stock Price Index. The insurance company may guarantee a minimum return. After the accumulation period, the insurance company makes periodic payments under the terms of the contract or in a lump sum.
Equity-Linked Notes	A structured product linked to an underlying index.
ETF Model Portfolios	Pre-packaged, 'ready-to-use' investments that are typically comprised of three or more ETFs and managed by an ETF strategist firm.
Exchange-Traded Commodity Pools	Exchange-Traded Products (ETPs) tracking commodities, currencies, or other assets using futures are structured as commodity pools. While governed differently than Exchange Traded Funds (ETFs) registered under the 1940 Act, these ETPs offer many of the same features as ETFs and are often referred to as ETFs. The PowerShares DB Commodity Index Tracking Fund (symbol—DBC) and ProShares VIX Short-Term Futures ETF (symbol—VIXY) are examples of ETPs with this legal structure.
Exchange-Traded Funds (ETF)	A basket of stocks similar to an index mutual fund. The ETF can be traded within the day, can be shorted and purchased on margin (and options even exist on some ETFs).
Exchange-Traded Grantor Trusts	Exchange-Traded Products (ETPs) holding commodities or currencies in physical form are structured as grantor trusts and only registered under the Securities Act of 1933. While governed differently than Exchange Traded Funds (ETFs) registered under the 1940 Act, these ETPs offer many of the same features as ETFs and are often referred to as ETFs. The SPDR Gold Trust (symbol—GLD) and Guggenheim CurrencyShares Euro Trust (symbol—FXE) are examples of ETPs with this legal structure.
Exchange-Traded Notes (ETNs)	Exchange-traded products (ETPs) that are senior unsecured debt obligations of financial institutions. Like other ETPs, ETNs provide exposure to a variety of indices, asset classes, and strategies, but they do not buy or hold assets. Examples of ETNs are the Barclays iPath S&P 500 VIX Short-Term Futures ETN (symbol—VXX) and the JPMorgan Alerian MLP Index ETN (symbol—AMJ).

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Exchange-Traded Products (ETPs)	Exchange-traded products (ETPs), including Exchange Traded Funds (ETFs) and Exchange-Traded Notes (ETNs), offer exposure to a wide variety of asset classes and strategies in an instrument that is listed on a stock exchange and can be traded intraday, shorted, and margined; some are optionable. Most track the performance of an index, but others are actively managed.
Exchange-Traded REITs	REITs invest in real estate or loans secured by real estate and issue shares in such investments. These instruments are traded on an exchange.
Fixed Annuities	Contracts in which an insurance company or issuing financial institution pays a fixed dollar amount of money per period.
Foreign Exchange-Linked Notes	A type of currency-linked note that pays a return linked to a foreign exchange market or a select basket of currencies.
Foreign Sovereign Debt	Bonds issued by a national government in a foreign currency.
Forwards	A contract that specifies the price and quantity of an asset to be delivered in the future. Forward contracts are not standardized and are traded over the counter.
Fund of Funds	An investment company that acquires securities issued by any other investment company registered under the 1940 Act in excess of the amounts permitted under paragraph (A) of Section 12(d)(1) of the 1940 Act.
Futures	A legally binding agreement to buy or sell a commodity or financial instrument in a designated future month at a price agreed upon at the initiation of the contract by the buyer and seller. Futures contracts are standardized according to the quality, quantity, and delivery time and location for each commodity or financial instrument.
Held Customer Orders	An order that must be executed without hesitation (hit the bid or take the offer in line) or if the stock can be bought or sold at that price (held limit order) in sufficient quantity.
High-Net-Worth Retail Customer	A retail customer with a high net worth, typically defined as having investable financial assets in excess of \$1 million USD.
High-Yield Corporate Debt	Corporate bonds that are below investment grade, commonly defined as bonds receiving a Standard & Poor's (S&P) rating below BBB or a Moody's rating below Baa. Therefore, a fund using the term "high-yield" in its name generally must have a policy to invest at least 80 percent of its assets in bonds that are below investment grade.
Illiquid or Hard-to-Price	The state of a security or other asset that cannot easily be sold or exchanged for cash without a substantial loss in value. Illiquid assets also cannot be sold quickly because of a lack of ready and willing investors or speculators to purchase the asset.
Inactively Traded Securities	Any national market system security that did not average more than five reported transactions per trading day, as disseminated pursuant to an effective transaction reporting plan, for each of the preceding six months (or such shorter time that the security has been designated a national market system security).
Indications of Interest (IOIs)	Non-firm expressions of trading interest that contain one or more of the following elements: security name, side, size, capacity and/or price. Firms have the ability to communicate or advertise proprietary or customer trading interest in the form of IOIs to the marketplace through their own systems or several service providers that disseminate the information to subscribers and/or the marketplace.

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Institutional Brokerage	The practice of conducting a brokerage business with institutional customers, including corporations, mutual funds, trusts and other institutions.
Institutional Customer	Financial institutions such as pension funds, money managers and insurance companies, that invest large amounts in financial markets on behalf of their clients.
Integrated Voice Response (IVR)	An automated telephone information system that speaks to the caller with a combination of fixed voice menus and data extracted from databases in real time. The caller responds by pressing digits on the telephone or speaking words or short phrases.
Interest Rate Swaps	A binding agreement between counterparties to exchange periodic interest payments on some predetermined dollar principal, which is called the notional principal amount. For example, one party will pay fixed and receive variable.
Interest Rate-Linked Notes	A structured product that pays their return based upon the movement of an interest rate index such as LIBOR, Constant Maturity Treasury (CMT) rates, Constant Maturity Swap (CMS) rates, Fed Funds, or Treasury securities.
Inverse Exchange-Traded Funds	Inverse ETFs (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track.
Inverse Exchange-Traded Products (ETPs)	Some ETPs, across all asset classes, offer inverse exposure to the index or benchmark they track, promising to pay an inverse multiple of—minus one- (-1x), minus two- (-2x), or minus three-times (-3x)—the performance of the underlying index or benchmark. Most are designed to achieve their stated performance objectives on a daily basis and “reset” their inverse exposure on a daily basis, but others may do so monthly or have no reset. Examples of inverse ETPs are the ProShares UltraShort 20+ Year Treasury ETF (symbol—TBT) and Direxion Daily S&P 500 Bear 3x Shares (symbol—SPXS).
Investment Grade Corporate Debt	A bond that is assigned a rating in the top four categories by commercial credit rating companies. S&P classifies investment-grade bonds as BBB or higher, and Moody’s classifies investment-grade bonds as Baa or higher.
Key Fob (hardware or software)	Key-Fob hardware or software tokens are used to control and secure access to computer systems and data by providing a second factor that a user would need to know or provide to gain access. An example of a hardware Key Fob would be RSA’s SecurID tokens that provide random numbers the user must provide during the logon process.
Know-Your-Distributor Policies	Policies and procedures for wholesalers which are reasonably designed to ensure potential distributors have adequate controls and systems in place.
Leveraged Exchange-Traded Funds	Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track.
Leveraged Exchange-Traded Products (ETPs)	Some ETPs, across all asset classes, offer leveraged exposure to the index or benchmark they track, promising to pay a multiple of—1.25- (1.25x), two- (2x), or three-times (3x)—the performance of the underlying index or benchmark. Most are designed to achieve their stated performance objectives on a daily basis and “reset” their leverage exposure on a daily basis, but others may do so monthly or have no reset. Examples of leveraged ETPs are the ProShares Ultra S&P500 ETF (symbol—SSO) and Direxion Daily Gold Bull 3x Shares (symbol—BAR).

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Leveraged Loan Financing	Loans extended to companies or individuals that already have considerable amounts of debt. Lenders consider leveraged loans to carry a higher risk of default and, as a result, a leveraged loan is more costly to the borrower.
Leveraged Loan Products	Debt from companies with below investment-grade credit ratings. Leveraged loans are typically secured with a lien on the company's assets and are generally senior to the company's other debt.
Life Settlement/Viaticals	A financial transaction in which a policy owner sells an existing life insurance policy to a third party for more than the policy's cash surrender value, but less than the net death benefit.
Limits	Thresholds that restrict the amount of exposure that an individual trader or group of traders can take with respect to individual risks (<i>i.e.</i> credit, counterparty credit, total market exposure, etc.).
Liquidity Provider	Liquidity providers are market makers that enter into arrangements with other firms under which they may send orders or provide liquidity to the other firm's ATS.
Listed Equities	A stock or any other security representing an ownership interest that sells on a registered exchange.
Listed Options	An option that has been accepted for trading on an exchange.
Manual Option Orders	An order received via manual means which require the trader to manually enter the order into the firm's order management system. This may be accomplished via telephone, instant messaging, or email, for example.
Market Access	Access to trading in securities on an exchange or alternative trading system as a result of being a member or subscriber of the exchange or alternative trading system, respectively; or access to trading in securities on an alternative trading system provided by a broker-dealer operator of an alternative trading system to a non-broker-dealer.
Market Maker	A firm that stands ready to buy and sell a particular stock on a regular and continuous basis at a publicly quoted price.
Market-Linked Notes	A structured product linked to an underlying index.
Mergers and Acquisition (M&A) Advisory	The practice of assisting the firm's corporate clients in recommending, structuring, and acting as an intermediary in mergers and acquisitions.
Money Market Mutual Funds	A mutual fund that invests only in short-term securities, such as bankers' acceptances, commercial paper, repurchase agreements and government bills. The net asset value per share is maintained at \$1. Such funds are not federally insured, although the portfolio may consist of guaranteed securities and/or the fund may have private insurance protection.
Municipal Adviser	A person (who is not a municipal entity or an employee of a municipal entity) that (i) 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 (ii) undertakes a solicitation of a municipal entity.
Municipal Debt	A general term referring to securities issued by local governmental subdivisions such as cities, towns, villages, counties or special districts, as well as securities issued by states and political subdivisions or agencies of states.

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Municipal Securities	A general term referring to securities issued by local governmental subdivisions such as cities, towns, villages, counties or special districts, as well as securities issued by states and political subdivisions or agencies of states.
Net Basis	A net trade is a principal trade in which a broker-dealer, after having received an order to buy (sell) an equity security, purchases (sells) the security at one price and satisfies the original order by selling (buying) the security at a different price. The difference between the price of the initial transaction and the price of the offsetting transaction generally is considered the broker-dealer's compensation.
Neutral Grid	Although there is no single definition of "neutral grid," the term refers broadly to compensation structures where, for a given level of gross commission or production, the payout rate is constant across product classes, <i>e.g.</i> , equities, bonds, mutual funds, etc.
Non Exchange-Traded REITs	REITs invest in real estate or loans secured by real estate and issue shares in such investments. These instruments are not traded on an exchange.
OFAC	The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is charged with administering and enforcing U.S. economic sanctions program. The securities industry may be approached by terrorist organizations or other illicit actors desiring to exploit the relative lack of transparency that accompanies many securities transactions and investment vehicles, thereby creating opportunities for OFAC sanctions to be circumvented. For this reason, OFAC is actively engaged with the securities industry to help it understand and comply with U.S. sanctions programs. OFAC encourages the securities industry to develop proactive, risk-based compliance programs to ensure that it does not conduct transactions for the benefit of designated terrorists or other sanctions targets.
Ombudsman	An official appointed to investigate individuals' complaints against maladministration, especially that of public authorities.
Order Flow	For SEC Rule 606, a firm is required to disclose the identity of the market centers (exchanges), over-the-counter (OTC) market makers, and electronic communications networks (ECNs) and alternative trading systems (ATSs) to which they route orders on behalf of customers. <i>i.e.</i> where they route their 'order flow'. Firms are also required to disclose the nature of their relationships with such market centers they route orders to, including any internalization or payment for order flow arrangements.
Outside Vendor Service	For many purposes, firm may employ the services of outside vendors to meet their business needs. Two areas of note to market regulation is the use of vendors to compile, calculate and publish SEC Rule 605 and 606 statistics and the use of vendors as orders management and risk control systems providers. Example of prominent outside vendors include Thomson Reuters, Charles River, Fidessa, Bloomberg, ect.
Penetration Testing	The act of mimicking the action of an attacker exploiting weaknesses in a firm's network security.
Penny Stocks/Low-Priced Securities	A non-Nasdaq and non-exchange-listed equity security, currently priced under \$5 per share, that is issued by a company with less than a specified amount of net tangible assets, continuous operations or annual revenues.

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Personally Identifiable Information (PII)	Any information about an individual maintained by a firm, including any information that can be used to distinguish or trace an individual's identity such as name, social security number, birth date and place of birth, etc.
Physical Insurance	An arrangement by which a company or government agency provides a guarantee of compensation for specified loss or damage in return for payment of a premium.
Politically Exposed Person (PEP)	Generally defined as a current or former senior foreign political figure, their immediate family, and their close associates.
Positive Affirmation	The act of sending confirmation notices to customers when their account information is changed.
Prime Brokerage	A firm that offers bundled packages of services including securities clearing facilities to hedge funds and other professional investors.
Principal Protected Notes	A fixed-income security that guarantees a minimum return equal to the investor's initial investment (the principal amount).
Private Equity Funds	Any private fund that is not a hedge fund, liquidity fund, real estate fund, securitized asset fund or venture capital fund and does not provide investors with redemption rights in the ordinary course.
Private Placements	The sale of securities to a relatively small number of select investors as a way of raising capital. Investors involved in private placements are usually large banks, mutual funds, insurance companies and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market.
Private Securities	Securities not registered with the SEC nor filed with FINRA, and are not publicly traded
Producing Manager	A Producing manager is a branch office manager, sales manager, regional or district sales manager, or any person who performs a similar supervisory function AND who services customer accounts in a capacity requiring registration.
Promissory Notes	A written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date.
Proprietary Mutual Funds	An investment program funded by shareholders that trades in diversified holdings and is professionally managed by the sponsoring firm or an affiliate of the sponsoring firm.
Range Accruals	Range accrual notes or CDs are typically longer-term structured retail products offering an attractive fixed yield initially and then switching to floating periodic coupons that depend on the extent to which a reference asset's level remains within a fixed range during a given accrual period—the greater the percentage of time it meets the criterion, the higher the coupon payment (subject to a cap and floor). Often they are callable at an issuer's discretion and most offer full principal protection if held to maturity or called.
Real Estate Investment Vehicle	A security that sells like a stock and invests in real estate directly, either through properties or mortgages.

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Reciprocal Order Flow Arrangements	SEC Rule 606 requires firms to disclose their material relationships with other firms. The payment can take several forms with the most common being payment for order flow. In addition to making direct cash payments to broker-dealers in consideration for their retail options order flow, some firms have entered into other non-cash arrangements with order routing firms. These arrangements, typically referred to as reciprocal arrangements, take a variety of forms.
Regional Center	A Regional Center is a USCIS-designated entity, which facilitates investment in job-creating economic development projects within a specific area, by pooling capital raised under the EB-5 immigrant investor program.
Registered Investment Adviser	An individual or firm that provides advice about specific securities in exchange for compensation.
Residential Mortgage-Backed Securities – Agency	Securities backed by a pool of residential mortgage loans. These securities are issued by government-sponsored enterprises such as Ginnie Mae, Fannie Mae or Freddie Mac.
Residential Mortgage-Backed Securities – Non-Agency	Securities backed by a pool of residential mortgage loans. These securities are not issued by government-sponsored enterprises such as Ginnie Mae, Fannie Mae or Freddie Mac.
Reverse Convertible Securities	Reverse-convertibles are debt obligations of the issuer that are tied to the performance of an unrelated security or basket of securities. These are structured products that generally consists of a high-yield, short-term note of the issuer that is linked to the performance of an unrelated reference asset—often a single stock but sometimes a basket of stocks, an index or some other asset. The product works like a package of financial instruments that typically has a debt instrument component and a derivative component.
SEA Rule 17a-3	See http://www.finra.org/web/groups/industry/@ip/@reg/@rules/documents/interpretationsfor/p037774.pdf
Small Market Center	For SEC Rule 605, the Small Market exemption covers any market center that reported fewer than 200 transactions per trading day on average over the preceding six-month period in securities that are covered by the Rule (that is, national market system securities that do not qualify for the inactively traded security exemption), but only if more than 90 percent of such transactions were in securities that are not included in the Nasdaq-100 Index or the S&P 500 Composite Stock Price Index.
Sponsored Access	The practice of a “Sponsoring Member” providing access to the Nasdaq Execution System (“Nasdaq”) and other exchanges on an agency basis to another firm or customer.
Steepteners	Steepteners are longer-term structured notes and CDs that tend to offer attractive fixed yields initially but then switch to floating yields (subject to caps and floors) based on the spread between long- and short-term interest rates—the “steepness” of the yield curve. Often they are callable at an issuer’s discretion and most offer full principal protection if held to maturity or called.
Stress Test	A simulation technique used on asset and liability portfolios to determine their reactions to different financial situations. Stress tests are also used to gauge how certain stressors will affect a company or industry. They are usually computer-generated simulation models that test hypothetical scenarios.

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Structured CDs/Market-Linked CDs	Structured CDs—also referred to as market-, index- or equity-linked CDs—are structured retail products that are deposit obligations of an issuing bank (generally a federally insured depository institution). They often have maturities of three to seven years and are typically issued in denominations of \$1,000. Structured CDs generally offer investors 100 percent principal protection (backed by FDIC insurance), combined with periodic coupons and/or a payoff at maturity linked in some way to the performance of one or more reference assets.
Suspicious Activity Reports (SARs)	Reports filed with the Department of the Treasury’s Financial Crimes Enforcement Network, or “FinCEN,” the Treasury bureau charged with administration of the Bank Secrecy Act. SARs and other BSA reports are part of a government-wide data network maintained by FinCEN. Their purpose is to support the investigation of financial crime and terrorism. FinCEN shares SAR information with other agencies for criminal, tax, regulatory, and counter-terrorism purposes.
Underwriting	The practice in which investment banks raise investment capital from investors on behalf of corporations and governments that are issuing securities.
Unit Investment Trusts	An investment company that (A) is organized under a trust indenture, contract of custodianship or agency or similar instrument, (B) does not have a board of directors, and (C) issues only redeemable securities, each of which represents an undivided interest in a unit of specified securities; but does not include a voting trust.
Variable Annuities	A contract between an investor and an insurance company, under which the investor makes a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to the investor beginning immediately or at some future date.
Virtual Currency	A digital medium of exchange that operates like a currency in some environments, but does not have legal tender status in any jurisdiction and is not backed by government-issued legal tender. Virtual currencies are also referred to as “crypto-currencies.”
Worst-Ofs	Structured retail products with “worst-of” payoffs have investment returns that depend in some way on the lesser- or worst-performing of two or more reference assets. They typically are in the form of a reverse convertible with an attractive headline coupon.

***Note:** All terms in this glossary are solely defined for the purpose of the FINRA Risk Control Assessment.