

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). ETFs are open-ended investment companies, unit investment trusts, or C corporations registered under the Investment Company Act of 1940, which typically hold portfolios of securities such as equities or fixed-income instruments. Examples include the SPDR S&P 500 ETF (symbol—SPY), which is a unit investment trust, the Vanguard Total Bond Market ETF (symbol—BND), which is an open-ended fund, and the Alerian MLP ETF (symbol—AMLP), which is a C corporation.
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	These are 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.
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)	Allows Sell-Side firms to post/solicit directly via electronic formats to Buy-Side institutions with their latest trade ideas, recommendations along with Research and data.
Alternative Trading System (ATS)	A non-exchange trading venue that matches buyers and sellers to find counterparties for transactions. In certain instances and commonly be referred to as "Dark/Liquidity pools."
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. Some examples of alternatively weighted indices include equal weighting, fundamental weighting, or weighting index constituents by volatility measures.
American Depository Receipt (ADR)	An American Depository Receipt (ADR) is a certificate issued by a U.S. bank representing a specified number of shares in a foreign company. ADRs are traded on U.S. exchanges and OTC markets, while the underlying foreign company shares are held by a custodian bank.

2017 Risk Control Assessment Glossary

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Annuities With Structured or Buffered Options	Often referred to as “Structured Annuities” or “Buffered Annuities,” these are annuities with embedded options that can protect against downside risk but also limit upside potential. In most cases, these annuities place a premium on principal protection and steady account value growth, rather than rapid accumulation.
Asset-Backed Commercial Paper (ABCP)	A short-term investment vehicle with a maturity that is typically between 1 and 270 days. The security itself is typically issued by a bank or other financial institution. The notes are backed by physical assets such as trade receivables, and are generally used for short-term financing needs.
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 pre-specified 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 Trading Strategies	General term for a software system that trades or makes trading recommendations based on software or programming rules, typically involves creating trades where the idea, decision and execution are carried out by computer.
Baby Bonds	Notes issued in small denominations (typically \$25 par value) that trade on the stock exchanges or OTC. Baby bonds typically have maturity and call dates, and pay interest quarterly.
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.
CAB (Capital Acquisition Brokers)	Capital Acquisition Brokers (CABs) are firms that engage in a limited range of activities, including advising companies and private equity funds on capital-raising and corporate restructuring, and acting as placement agents for sales of unregistered securities to institutional investors under limited conditions.
Carry or Carrying Firms	A brokerage firm that maintains custody of securities and other assets (like any cash held in accounts).
Certificates of Deposit (CD)	An FDIC-insured savings certificate issued by a bank to a depositor for a specified length of time. The bank pays a predetermined interest rate to the depositor for the duration of the CD.
Clean Desk Policy	A clean desk policy (CDP) is a corporate directive that specifies how employees should leave their working space when they leave the office. Most CDPs require employees to clear their desks of all papers at the end of the day.

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Clearing	The practice of handling clearance and settlement activities for the firm itself or performing clearing activities for correspondents.
Closed-End Funds (Traded and Non Traded)	<p>Traded: 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.</p> <p>Non-Traded (e.g., Interval Funds): Funds that are structured more like a management investment company. Non-traded means there is no active secondary market.</p>
Collateral Transformation	The practice of offering cash for collateral to companies and/or funds in exchange for less-liquid securities.
Collateralized Debt Obligations (CDOs)	A security that is a type of asset-backed security which uses a portfolio of bonds, loans, or other products which could even include synthetics 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.
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.
Commodities Futures Fund	A fund that holds commodity-linked derivative instruments (futures).
Commodity Swaps	A swap in which exchanged cash flows are dependent on the price of an underlying commodity.
Commodity-Linked Note	A generic term for a structured note with a return linked to the performance of one or more commodities or commodity indices.
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.
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 Note	A credit linked note (CLN) is a form of funded credit derivative. It is structured as a security with an embedded credit default swap allowing the issuer to transfer a specific credit risk to credit investors. The issuer is not obligated to repay the debt if a specified event occurs.
Critical Assets (in relation to 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.

2017 Risk Control Assessment Glossary

Term	Definition
Cyber Insurance	Insurance designed to mitigate losses from a variety of cyber incidents, including data breaches, business interruption, and network damage.
Cyber-Attack	An attempt to compromise the confidentiality, integrity or availability of firm digitized information through the use—in whole or in part—of electronic digital media (e.g., computers, mobile devices or internet protocol-based telephony systems).
Data Encryption	The process of changing electronic data into another form which can only be read by authorized parties.
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	Desk analysts are registered representatives and/or analysts that sit on the trading desk and produce written commentary for customers.
Direct Market Access (DMA)	This refers to electronic facilities that give investors a way to interact directly with the order book of an exchange.
Direct Participation Plans (DPPs)	A business venture designated to let investors participate directly in the cash flow and tax benefits of the underlying investment.
Discount Retail Brokerage	The practice of offering limited services to individual investors at significantly lower fees. Discount brokerages typically allow clients to trade online while offering comparatively fewer services and/or support.
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 buyers perspective, RVP (receive versus payment) is from the sellers perspective.
EB-5 Visa Program (Employment-Based Fifth Preference Visa Program)	The EB-5 Visa Program is a U.S. government-sponsored program that allows foreign nationals to obtain permanent residency in the United States by making certain qualified investments in U.S. enterprises, with the investment creating 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.
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 Note	A generic term for a structured note with a return linked to the performance of one or more individual equities or equity indices.
ETF Model Portfolios	ETF Model Portfolios are pre-packaged, 'ready-to-use' investments where more than 50 percent of the underlying securities are ETFs. The ETF models might be managed by an ETF strategist firm, an ETF sponsor, or designed in-house by a broker dealer.
Exchange Non-Floor Broker	Firms that execute transactions away from an exchange floor on behalf of the firm's clients and other broker-dealers.

Term	Definition
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 or funds. 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)	An Exchange-Traded Fund (ETF) is the most common type of Exchange-Traded Product (ETP) and is the only type registered under the 1940 Act as a “fund.” An ETF typically holds a basket of stocks, bonds, cash, or other securities similar to an index mutual fund. The ETF can be traded within the day, can be shorted and purchased on margin, and may have options listed on it.
Exchange-Traded Grantor Trusts	Exchange-Traded Products (ETPs) holding commodities or currencies in physical form are structured as grantor trusts. 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 or funds. The SPDR Gold Trust (symbol—GLD) and Guggenheim Currency Shares Euro Trust (symbol—FXE) are examples of ETPs with this tax structure.
Exchange-Traded Managed Fund	An Exchange-Traded Managed Fund (ETMF) is a new type of 1940 Act-registered fund that combines features of an ETF and an actively managed mutual fund; however, it may not be referred to as an ETF or mutual fund. Sometimes loosely considered to be a “non-transparent actively-managed ETF,” an ETMF generally provides portfolio disclosure on a schedule followed by mutual funds (e.g., monthly or quarterly with a lag) but with some trading features of ETFs. ETMFs incorporate a novel trading technology called “NAV-based trading” by which ETMF shares trade throughout the day on an exchange and clear and settle just like stocks and ETFs but all bid and offer quotes and trade prices are displayed in terms of a premium or discount to the fund’s next (to-be-determined) end-of-day net asset value (NAV). As such, buyers and sellers will not know the value of their purchases and sales until the NAV is determined at the end of the trading day. The first ETMF products to launch are under Eaton Vance’s “NextShares” brand and are listed on NASDAQ.
Exchange-Traded Notes (ETNs)	Exchange-traded notes (ETNs) are 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).
Exchange-Traded Products (ETPs)	Exchange-traded products (ETPs) comprise a broad product category that includes Exchange-Traded Funds (ETFs) and Exchange-Traded Notes (ETNs). ETPs 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 or benchmark, but others are actively managed. All ETPs are registered under the Securities Act of 1933 and Securities Exchange Act of 1934; only Exchange-Traded Funds (ETFs) are also registered under the Investment Company Act of 1940 and are “funds.”
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.
Execution	The completion of a buy or sell order for a security.

Term	Definition
Financial Institution	<p>Financial institutions provide services as intermediaries of financial markets. Broadly speaking, there are three major types of financial institutions:</p> <ol style="list-style-type: none"> 1. Depositary Institutions – deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies; 2. Contractual Institutions – insurance companies and pension funds; and 3. Investment Institutions – investment banks, underwriters, brokerage firms.
Financial Planning	<p>As related to the brokerage industry, the service of providing structured advice and recommendations for making investments, purchases and reducing costs/expenses with quantifiable goals for the short and long term. Typically geared towards an individual investor or the immediate family.</p>
Financing	<p>The act of providing funds for business activities, making purchases or investing.</p>
Fixed Annuities	<p>Contracts in which an insurance company or issuing financial institution pays a fixed dollar amount of money per period.</p>
Floor Broker	<p>Firms that execute transactions on an exchange floor on behalf of the firm's clients and other broker-dealers.</p>
Foreign Exchange-Linked Notes	<p>A type of currency-linked note that pays a return linked to a foreign exchange market or a select basket of currencies.</p>
Foreign Sovereign Debt	<p>Bonds issued by a national government in a foreign currency.</p>
Forwards	<p>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.</p>
Full-Service Retail Brokerage	<p>The practice of providing a large variety of services to individual investors, including trade execution, research and advice, retirement planning, tax tips, etc.</p>
Full-Service Retail Customer	<p>A retail customer receiving a large variety of services from a full-service retail brokerage, including trade execution, research and advice, retirement planning, tax tips, etc.</p>
Fund of Funds	<p>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.</p>
Futures	<p>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.</p>
GSE or GSE Debt (Government-Sponsored Enterprise)	<p>A government-sponsored enterprise (GSE) is a financial services corporation created by the United States Congress. GSE debt is not guaranteed by the federal government, whereas government agencies such as Government National Mortgage Association (Ginnie Mae) are divisions of the government whose securities are backed by the full faith and credit of the United States.</p>
Hedge Fund Management	<p>Firms that manage a portfolio of investments that employ advanced strategies including, but not limited to leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating absolute returns or returns over a particular benchmark.</p>
Hedge Funds	<p>Hedge funds are organized by professional investment managers who frequently have a significant stake in the funds they manage and receive a management fee that includes a substantial share of the performance of the fund. Hedge funds do not make public offerings of their securities.</p>

2017 Risk Control Assessment Glossary

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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.
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, which 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 Note	A generic term for a structured note with a return linked to the performance of one or more interest rate benchmarks such as LIBOR, Constant Maturity Treasury (CMT) rates, Constant Maturity Swap (CMS) rates, Fed Funds, or Treasury securities.
Intermediary for Foreign Brokers	The practice of acting as an intermediary for foreign brokers which have both domestic and foreign offices.
Inverse Mutual Funds	Inverse mutual funds (also called "short" funds) seek to deliver the opposite of the performance of the index or benchmark they track over a specified timeframe, usually one day. These are similar to Inverse ETPs. Inverse mutual funds, along with leveraged mutual funds, are often called "geared mutual funds."
Inverse Exchange-Traded Products (ETPs)	Some ETPs, across all asset classes and product structures (like ETFs or ETNs), 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). Inverse ETPs, along with leveraged ETPs, are often called "geared ETPs" and sometimes referred to as "non-traditional ETPs."
Investment Banking Adviser	An individual or a firm that provides advice about investment banking products and services to clients.
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.

2017 Risk Control Assessment Glossary

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Investment-Related Outside Business Activities	Outside business activities include any business activity outside the scope of the relationship with his or her member firm. These activities are considered to be investment related if they directly or indirectly involve investments or the securities industry.
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.
Leveraged Mutual Funds	Leveraged mutual funds seek to deliver multiples of the performance of the index or benchmark they track over a specified timeframe, usually one day. These are similar to leveraged ETPs. Leveraged mutual funds, along with inverse mutual funds, are often called "geared mutual funds".
Leveraged Exchange-Traded Products (ETPs)	Some ETPs, across all asset classes and product structures (like ETFs), 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). Leveraged ETPs, along with inverse ETPs, are often called "geared ETPs" and sometimes referred to as "non-traditional ETPs."
Leveraged Loan Financing	Loans extended to companies of below investment grade credit quality with a relatively high proportion of debt to assets. Leveraged loans typically carry a higher risk of default.
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.).
Lines of Credit	An arrangement between a financial institution, usually a bank, and a customer that establishes a maximum loan balance that the bank will permit the borrower to maintain. The borrower may draw down on the line of credit at any time, as long as he or she does not exceed the maximum set in the agreement.
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.
Market-Linked Note	A generic term to describe a structured note whose performance is linked to a reference asset, such as an equity index, unrelated to the note issuer.
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.

2017 Risk Control Assessment Glossary

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Micro-Cap (Investor)	Someone who invests in highly illiquid, highly speculative stocks with typically less than 250M market capitalization. (Below \$50M considered Nano cap). Typically microcap companies have low prices and low volumes and must be traded over the counter (OTC). They are considered more risky, less stable and have opportunities to be manipulated due to their size. They also have less information available publically which can be a weakness, and no official listing standards. Therefore a microcap investor must have a higher tolerance for risk and ability to withstand downturn.
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 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.
Mutual Funds	An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money-market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.
Nominee Company/Firms	A company that generally does not have operations other than holding assets on behalf of beneficial owners who are not identified in incorporation documents. In many cases, the shell company may be offshore, or represent offshore/onshore beneficiaries. Also referred to as: Personal holding Company (PHC) or Personal Investment Company (PIC).
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.
Non-Public	Personally identifiable financial information and any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available information.
OFAC Risk Assessment	A tool published by the United States Office of Foreign Asset Control to help financial institutions identify possible high risk areas. https://www.treasury.gov/resource-center/sanctions/Documents/matrix.pdf
OFAC Sanctions Lists	Office of Foreign Asset Control published lists of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. They also list individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

2017 Risk Control Assessment Glossary

Term	Definition
Options	A contract that, in exchange for the option price, gives the option buyer the right, but not the obligation, to buy (or sell) a financial asset at the exercise price from (or to) the option seller within a specified time period, or on a specified date (expiration date).
OTC Equities	A stock or any other security representing an ownership interest that sells over the counter.
OTC Options	Options traded on the over-the-counter (OTC) market, where participants can choose the characteristics of the options traded.
Penetration Testing (External or Internal)	The act of mimicking the action of an actual attacker through the use of software programs to exploiting known and unknown weaknesses typically within a corporate network.
Penny Stocks/Low-Priced Securities	A non-Nasdaq and non-exchange-listed equity security, currently priced under \$5 per share, which is issued by a company with less than a specified amount of net tangible assets, continuous operations or annual revenues.
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.
PIPE/SPAC Financing	A special-purpose acquisition company (SPAC) allows public stock market investors to invest in private equity type transactions. A Private Investment in a Public Entity (PIPE) involves the selling of publicly traded securities to private investors.
Politically Exposed Person (PEP)	Generally defined as a current or former senior foreign political figure, their immediate family, and their close associates.
Power of Attorney (POA)	A power of attorney (POA) or letter of attorney is a written authorization to represent or act on another's behalf in private affairs, business, or some other legal matter, sometimes against the wishes of the other. Power of attorney is granted to an "attorney-in-fact" or "agent". The laws for creating a power of attorney vary from state to state, but there are certain general guidelines to follow.
Prime Brokerage	A firm that offers bundled packages of services including securities clearing facilities to hedge funds and other professional investors.
Principal-Protected Note	A generic term for a structured note that guarantees a minimum return plus a return that depends on the performance of one or more reference assets. Some principal protected notes offer full principal protection while others may offer less.
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. Typically make longer term investments than hedge funds, but have similar payout styles of a management + performance (carried interested) fee.
Private Placements	The sale of securities to a relatively small number of select/accredited investors as a way of raising capital. Investors involved in private placements. 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.

Term	Definition
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 Index, Indices (Tracking Proprietary Product or Structured Product)	This refers to an index developed by a financial institution in order to reflect the results of a particular investment or trading strategy and/or to track specific types of assets. Under the new Department of Labor regulations, a “proprietary or structured product,” refers to a financial product that is “managed, issued or sponsored” by the financial institution or one of its affiliates. A proprietary index would track these assets.
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.
Proprietary Tokens, Virtual Currencies	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 a government-issued legal tender. <i>See also</i> Virtual or Crypto-currencies.
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 the levels of one or more reference assets remain within some fixed range during a given accrual period—the greater the percentage of time the criteria are met, 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. REIT is a subclass of this category.
Registered Investment Adviser	An individual or firm that provides advice about specific securities in exchange for compensation.
Repo (Repurchase Agreement)	Repo is a generic name for both repurchase agreements and sell/buy-backs. In a repo, one party sells an asset (usually fixed-income securities) to another party at one price at the start of the transaction and commits to repurchase the fungible assets from the second party at a different price at a future date or (in the case of an open repo) on demand.** If the seller defaults during the life of the repo, the buyer (as the new owner) can sell the asset to a third party to offset his loss. The asset therefore acts as collateral and mitigates the credit risk that the buyer has on the seller.
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 (also known as reverse exchangeable securities) are one of the most popular types of retail structured product. A reverse convertible generally takes the form of a short-term note of an issuer that offers an attractive periodic fixed coupon coupled with a payoff 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. Principal is generally at risk.
Reverse Merger Support	The practice of being involved in any manner with the structuring or participation in reverse merger activity.

Term	Definition
Securities-Backed Lines of Credit (SBLOC)	SBLOCs are revolving loans that allow investors to borrow money from lending institutions using fully paid for securities held in their brokerage accounts as collateral. SBLOCs are non-purpose loans.
Securitization of Debt (Securitized Debt Instruments)	The financial practice of pooling various types of contractual debt and selling said debt as bonds, pass-through securities, or Collateralized Mortgage Obligation (CMOs) to various investors.
Solid State Data Storage	Solid-state storage (sometimes abbreviated as SSS) is a type of non-volatile computer storage that stores and retrieves digital information using only electronic circuits, without any involvement of moving mechanical parts.
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.
Steepeners	Steepeners 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 usually 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.
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.
Structured Note	A structured note is a generic term for a retail structured product (or structured retail product), which is a debt obligation of an issuer (usually a large financial institution) that typically provides a payoff or return based on the performance of one or more reference assets that are unrelated to the issuer. Structured notes can offer a variety of degrees of principal protection and may or may not offer periodic coupon payments (fixed or variable).
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.
U.S. Government Debt	US Treasury Bonds issued by the United States government in order to finance the country's growth.

2017 Risk Control Assessment Glossary

Term	Definition
Underwriter	An underwriter is a company or other entity that administers the public issuance and distribution of securities from a corporation or other issuing body. An underwriter works closely with the issuing body to determine the offering price of the securities, buys them from the issuer at a discount and resells them to investors or broker-dealers via the underwriter's distribution network. Underwriters make their income from the price difference (the "underwriting spread") between the price they pay the issuer and what they collect from investors or from broker-dealers who buy portions of the offering.
Underwriting	Underwriting is the process by which investment bankers 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.
Unregistered Securities	A stock that does not have an effective registration statement on file with the SEC.
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 may operate like a currency in some environments, but does not have legal tender status in any jurisdiction and is not backed by a government-issued legal tender. Virtual currencies are also referred to as "Crypto-currencies."
Web/URL Filtering	A program that prevents access to undesirable websites, typically by comparing a requested website address to a list of known bad websites.
Wholesale Brokerage	The practice of acting as an intermediary between a retail broker and a product manufacturer, while having no contact with the retail customer.
Weighted Average Maturity (WAM)	Weighted Average Maturity refers to a calculation which considers all maturities within a portfolio and gives weight to the larger trades to provide some sense of when the most material trades will mature.
White Hat (Cybersecurity)	The term "white hat" in Internet slang refers to an ethical computer hacker, or a computer security expert, who specializes in penetration testing and in other testing methodologies to ensure the security of an organization's information systems.
Wholesale Customer	A customer of a wholesale broker.
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.
Written Supervisory Procedures (WSPs)	Rule 3010 requires that member firms maintain a supervisory system for their registered representatives. Written procedures must be created to ensure oversight of the representatives' activities in handling customer accounts. These procedures must be kept and maintained in each Office of Supervisory Jurisdiction (OSJ) and at each location where supervisory activities are conducted on behalf of the member.

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

Investor protection. Market integrity.

1735 K Street, NW
Washington, DC
20006-1506

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