Accrued Interest: Accrued interest on a bond is calculated by multiplying (the par value of the bond by the coupon rate by the actual number of days between the last coupon payment and settlement day) divided by 365.

Amortization: refers to the process of paying off a debt (often from a loan or mortgage) over time through regular payments. A portion of each payment is for interest while the remaining amount is applied towards the principal balance. The percentage of interest versus principal in each payment is determined in an amortization schedule.

An amortization schedule: is a table detailing each periodic payment on an amortizing loan (typically a mortgage).

Asset-backed security: is a security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization.

Bond: Basically an IOU or promissory note of a corporation, usually issued in multiples of LE 1,000. A bond is an evidence of debt on which the issuing company usually promises to pay the bondholder a specified amount of interest for a specified length of time, and to repay the loan on the expiration date. A bondholder is a creditor of the corporation, not a part owner, as is the shareholder.

Callable Bond: A bond issue, all or parts of which may be redeemed by the issuing company before maturity.

Clean Price: The clean price of a bond is equal to its gross price minus accrued interest.

Convertible: A bond, which may be exchanged by the owner for common stock, usually of the same company, in accordance with the terms of the issue.

Corporate Bond: A bond issued by a corporation.

Current yield: is a financial term used in reference to bonds and other fixed-interest securities. It is the ratio of the annual interest payment and the bond's current clean price.

Face Value: The value of a bond that appears on the face of the bond. Face value is ordinarily the amount the issuing company promises to pay at maturity. Sometimes referred to as par value.

Fixed rate bond: is a bond with a fixed coupon (interest) rate. A fixed rate bond is a long term debt paper that carries a predetermined interest rate.

Floating rate notes (FRNs) are bonds that have a variable coupon, equal to a money market reference rate, like LIBOR or federal funds rate, plus a spread. The spread is a rate that remains constant.

Government Bond: A bond issued by the government.

Gross Price: The gross price of a bond is equal to its clean price plus its accrued interest.

Indenture: A written agreement under which bonds are issued, setting forth maturity date, interest rate, and other terms between the issuing company and the bondholders. Usually a trustee or financial institution acts as a watchdog and makes sure that the issuing company fulfills the clauses in the bond indenture. In other words the trustee makes sure that the issuing company is paying interest on time, maintaining certain liquidity and debt ratios, distributing dividends etc.

Market Price: The last reported price at which the stock or bond sold, or the current quote.

Maturity Date: The date that a bond comes due and must be paid off.

Redemption Price: The price at which a bond may be redeemed at maturity.

Reset date: The point in time when the coupon rate for a variable rate or floating rate financial instrument is re-established to reflect changes in a benchmark rate.

Secondary Market: When stocks or bonds are traded, they are said to be traded on the secondary market.

Underwriting: refers to the process that a large financial service provider (bank, insurer, investment house) uses to assess the eligibility of a customer to receive their products (equity capital, insurance, mortgage, or credit).

Yield to Maturity or Redemption Yield: It is the rate of return that equates the present value of the coupons earned on a bond that is kept till maturity plus its par value on maturity date, with its current gross market price. It is greater than the current yield when the bond is selling at a discount and less than the current yield when the bond is selling at a premium.