Appendix

Appendix

Glossary of Terms

This appendix provides summary definitions of financial service products discussed at various points in this report. The first section contains a listing of financial service products grouped as:

Asset and Liability Products
Transaction Products (Paper-Based)
Transaction Products (Electronic-Based)
Information Systems

The second section contains the definition of each of the items listed in the first. The items in the second section are listed in accordance with the numbering of the items in the first.

SOURCE: "The Impacts of Information Processing and Communication Technology on the Creation and Delivery of Wholesale Financial Services," ICS Group, Inc., 1983.

Financial Products and Services

Asset and Liability Products

1. Syndicated Loans
2. Project Finance
3. Lease Receivable Finance
4. Indirect Loan Funding
5. Revolving Line of Credit
6. Offshore-Based Lending
7. Banker's Acceptances
8. Trust Receipt Financing
9. Depository Financial Institution Products
   a. Direct Deposit
   b. Check Access Certificate of Deposit
   c. IRA, Keogh
   d. Eurodollars
   e. Imprest or Sweep Account
   f. Single Premium Deferred Annuities (SPDA)
10. Margin Accounts
11. Market Making
12. Leveraged Leases
13. Retail Banking
14. Middle and Institutional Market Lending
15. Repurchase Agreements
16. Money Market Securities
17. Other Investment Funds
   a. Money' Market Fund
   b. Real Estate
   c. Liquidity
   d. Growth
   e. Municipal
18. Mortgage Lending
19. CSVIJI Loans
20, Real Property Equities
21. Insurance Premium Financing
22. Actuarial Accruals
23. Annuities

Transaction Products (Paper-Based)

24. Cash Processing
25. Payroll
26. Money Orders/Traveler's Checks
27. Mortgage Servicing
28. Back-End Processing
   Installment Loan Servicing
   a. Mortgage Loan Servicing
   c. Commercial Loan Servicing
   d. Demand Deposit Accounting
   e. Savings Deposit Accounting
   f. Term Deposit Accounting
   g. General Ledger Control
   Collateral Control
   i. Cash Control
   j. Trust Accounting
   k. Item Processing
29. WholesalelRetail Lockbox
30. Check Guarantee/Authorization
31. Securities Safekeeping
32. Personal Trust
33. Escrow Accounting
34. Note Collection
35. Mortgage Banking
36. Collection Service (Brokerage)
37. Private Placement
38, Equity Brokerage
39. Public Offering
40. Relocation Management
41. Real Estate Brokerage
42. Securities Settlement
43. Annuities

Transaction Products (Electronic-Based)

44. **Data Base Access**
45. Branch Automation
   a. Platform Automation

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b. ATMs
c. Teller Terminals
46. Settlement and Clearing
a. Settlement
b. Clearing
47. Automated Clearing House/Electronic Clearing House
48. Wire Transfer (Domestic and International)
49. Cash Management
a. Depository Transfer Check
b. Concentration Accounting
c. Automated Investment Accounts
d. Cash Forecasting
50. Business Banking Products
a. Account Reconciliation
b. Account Consolidation
c. Balance Availability Reporting
d. Balance Concentration/Sweep
e. Automatic Customer Billing
f. Deposit Reconciliation
g. Account Payable Check Writing
51. Point-of-Sale Systems
52. Home Banking
53. ATM Systems
54. Commingled Investment Pools
55. Direct Deposit
56. Funds Movement and Inquiry
57. International Banking Products
a. Letters of Credit
b. Credit Inquiry
c. Foreign Exchange
d. Draft Collection
e. Syndication
f. Dollar Connection
58. Stock Transfer
59. Commercial Paper
60. Options/Futures
61. Equity Brokerage
62. Index Funds Brokerage
63. Bond Brokerage
64. Fund Management
65 Debit Cards
66. Securities Settlement
67. Discount Brokerage
68. Securities Lending
69. Certificates of Deposit Brokerage
a. Straight
b. Strip
70. Insurance Services Account

Information Services

71. Cash Requirements Forecasting
72. Working Capital and Cash Flow Analysis
73. Investment Return Optimization Analysis
74. Consumer Financial Analysis
75. Business Financial Analysis
76. Debt Issue Rating and Quotation Services
77. Credit Reporting Agencies

Glossary of Terms: Financial Products and Services

Asset and Liability Products

Asset and liability products are those generic products that impact the balance sheets of financial institutions. Asset products are generally loans, while liability products are depository in nature.

1. Syndicated Loans– Loans inv'olving multiple banks and nondepository financial institutions in cases where the overall credit involved is in excess of each bank's comfort or legal lending limit. One bank usually acts as agent for the others, thereby earning a fee for its efforts (and therefore becoming a transaction product provider).
2. Project Finance—Similar to syndicated loans (in fact, most are syndicated), project finance involves very specialized lending to major governments and their captive industries.
3. Lease Receivable Finance–Loans made to lessors by insurance companies, pension funds, depository financial institutions (DFIs), nondepositor financial institutions (NDFIs), secured by retail leases or loans that the lessors have made to lessees. The lessor's note from the bank is secured by the paper, not the leased asset.
4. Indirect Loan Funding–Involves a bank or NDFI acting in a transparent fashion for another lender, whereby the first provides the funding source while the second generates the marketing and approval process. Two common types of indirect funding are: 1) correspondent bank overlines, where a bank automatically participates in its correspondent bank's credit packages over a preset limit; and 2) bulk paper purchases, wherein the loan generator (auto dealer, retailer, lessor) creates paper through the normal course of its business and periodically sells the paper and control of the collateral to a lender (e.g., bank, consumer finance company).
5. Revolving Line of Credit—Generally a consumer product that enables an individual to borrow and repay loans under a predetermined and approved limit, this product is often

wholesaled by banks to NDFIs and retailed with the latters' other product lines (money market account, annuity, debit card),

6. Offshore-Based Lending-Certain tax benefits exist that accrue to domestic borrowers who use offshore lending offices of U.S. banks to conduct business. Organizations provide this service for their correspondents that are too small to establish such facilities themselves.
7. Banker's Acceptance–These obligations of the bank (guaranteed payment under letters of credit) can be either assets or liabilities or both, depending on whether the bank is discounting them to the public against its guarantee of payment.
8. Trust Receipt Financing–Generally provided by large commercial lenders to banks and the public to enable them to finance inventory—either finished or raw.
9. Depository Financial Institution Products:
   a. Direct Deposit–The process whereby a check's issuer delivers the check directly to the payee's bank for credit to his or her account. The term is often used to refer to the Federal Government's direct deposit program for Social Security checks. It is also used for military and civilian salary payments, Civil Service and Railroad Retirement annuity payments, and Veterans Administration compensation and pension payments.
   b. Check Access Certificate of Deposit–A bundled product that includes allowing the consumer to write checks against a line of credit secured by a term deposit in a bank.
   c. IRA/Keogh–A tax deferment product offered not only by banks (where it is a term deposit product), but also by NDFIs, such as insurance underwriters, securities brokers, consumer finance companies, mortgage bankers, and others. These offerors provide trustee services under IRA and Keogh plans, thereby playing in the transaction services arena.
      1) IRAs—A retirement savings program for individuals to which yearly tax-deductible contributions up to a specified limit can be made. The amounts contributed are not taxed until withdrawal. Withdrawal is not permitted without penalty until the individual reaches age 59½.
      2) Keogh Plan–A retirement plan for self-employed persons and their employees to which yearly tax-deductible contributions up to a specified limit can be made.
   d. Eurodollars–Dolku= denominated deposits in foreign banking offices. Such services are provided by correspondents to serve the overseas finance and deposit needs of the originating institution customers.
   e. Imprest or Sweep Account—Depository account with a targeted maximum balance above which funds are swept either to investments or to a concentration account, and central accounts into which funds deposited with various regional institutions are collected and then either used to meet payment obligations or for investment.
   f. Single-Premium Deferred Annuities (SPDA)– Products designed to provide a future pay-out of deposits based on an actuarial formula. Currently, only insurance underwriters are empowered to offer most types of annuities. Such annuities have some form of tax avoidance characteristics.
10. Margin Accounts–Margin accounts enable retail customers to leverage equity purchases up to a fixed percentage, The underlying debt is provided by the major money-center banks to securities brokers who mark up the price and end-loan to the consumer.
11, Market Making (Equity Positions)–The practice of buying and selling securities for a broker's own account from which it sells to or buys from its retail or institutional customers.
12. Leveraged Leases–A 100-percent financing system that combines borrowed equity and debt to enable a major utility or other capital equipment user to acquire functional access to resources without significant investment.
13. Retail Banking—The relationship between a parent and a subsidiary retail bank wherein the bank provides direct support to the products offered by the parent. An example would be ownership of a retail bank by a securities broker, as in the recent case of Dreyfus Corp.
14. Middle and Institutional Market Lending–A1ternatives to funds offered by commercial banks for middle market and institutional market borrowings using the proceeds of public or private debt placements to make loans to these types of borrowers.
15. Repurchase Agreements–A contract between a seller (bank, thrift, credit union, securities broker, and others) and buyer of Federal Government or other securities, whereby the seller agrees to buy back the securities at an agreed-upon price after a stated period of time.
16. Money Market Securities—private and Government obligations with a maturity of 1 year

or less. These include U.S. Treasury bills, bankers acceptances, large negotiable certificates of deposit (CDs), commercial paper, finance paper, and short-term tax exempts. The primary investment vehicle used by the money market funds offered by both depository institutions and securities dealers.

17. Other Investment Funds:
    a. Money Market Fund–A mutual fund that invests in short-term, highly liquid securities that pays the investor a market rate of interest and permits redemption by means of a variety of instruments that are convenient for the investor to use.
    b. Real Estate–Those funds concentrating their investments in real estate equities.
    c. Liquidity-Those funds concentrating their investments in cash or near-cash investments.
    d. Growth–Those funds concentrating their investments in speculative growth-oriented securities that will yield an increase in capital rather than a dividend return.
    e. Municipal–Funds concentrating their investments in securities of political subdivision of a State, including cities, counties, towns, villages, districts, and authorities, and designed to yield tax-sheltered income.
18. Mortgage Lending–The extension of credit secured by a lien on real property. At one point, the insurance industry was the single largest component of the home mortgage market. Today, that is not the case. Insurance companies are opting to concentrate on the large commercial property market because of increasing real estate values and opportunities to earn additional interest by participating in increases in rents as well as the secondary mortgage market. Others participate in the mortgage market by purchasing individual mortgages or packages of mortgages assembled and marketed by such organizations as the Federal Home Loan Mortgage Corporation (FREDDIE MAC) in secondary markets.
19. CSVL1 Loans–Loans made against the cash surrender value of whole life insurance (CSVLI) policies, which by statute and by contract must be made at rates well below current market rates.
20. Real Property Equities–The taking of an equity position by a financial service provider as part of the compensation for advancing funds. A practice of insurance companies and others that, unlike depository institutions, are permitted to accept equity positions in real property in addition to debt instruments.
21. Insurance Premium Financing—Insurance companies can lend policyholders the money to finance their premiums over an extended period of time. This service is usually accompanied by an insurance services account.
22. Actuarial Accruals—The liability side of an insurance company's balance sheet includes the current period, actuarial accrual of many transaction products, and the mandated dividends on premiums paid for life insurance contracts.
23. Annuities–The principal liability product of insurance underwriter; is the tax-deferred annuity, which only these industry members are able to offer with long-term guaranteed rates of return. Such annuities can be single-payment or multiple-payment plans and periodic or single pay out, or they can be structured to be payable to the surviving beneficiary only.

Transaction Products (Paper-Based)

24. Cash Processing–The service of providing central vault and central cash handling to banks, retailers, and other currency- and coin-dominated businesses.
25. Payroll—The process of using customer input to develop payroll checks for employees. The processor may also process the account debit to offset the credits for the checks, payroll taxes, and miscellaneous withholdings.
26. Money Orders/Traveler's Checks–Negotiable tender forms issued by depository and NDFIs in lieu of cash. Often wholesaled by major correspondents or third parties in "private label" formats.
27. Mortgage Servicing—Fee-based service wherein the needs of the mortgage investor are served by an intermediary that bills, collects, and accounts for mortgage payments. The process can also be incidental to an institution's normal lending activities. Compensation is derived through negotiated net settlement of collections—usually 3/8 to ½ of 1 percent.
28. Bank-End Processing:
    a. Installment Loan Servicing–Similar to mortgage loan servicing; however, no national market exists. Usually provided as a part of a total financial product servicing package.
    b. Mortgage Loan Servicing–Same as #27, above.

c. Commercial Loan Servicing–Process of servicing commercial loans that do not normally involve the serial payments found in installment loan servicing.
d. Demand Deposit Accounting–Process that accounts for the account debits and credits in a demand relationship with a bank.
e. Savings Deposit Accounting–Process that accounts for the account debits and credits in a savings relationship with a thrift institution, bank, or other depository financial institution that also handles the interest accrual and payment steps.
f. Term Deposit Accounting–Process that handles the accrual of interest on term savings relationships for banks, thrifts, and credit unions, as well as some NDFIs (securities brokers, insurance underwriters).
g. General Ledger Control–The accounting process for the internal recordkeeping for industry members usually provided by correspondents, third-party processors, and general accounting service providers. Banks also provide this service to their customers.
h. Collateral Control–A system for monitoring an institution's collateral under a loan. It usually entails a Management Information System (MIS), which may interface with the institution's general ledger.
i. Cash Control–A service much like cash processing, where central vault services are provided a part of a total back office service package.
j. Trust Accounting–A second-level accounting system for reconciliation of bank, thrift, and trust company customer accounts, as well as calculation of yield, return, and actuarial benefit,
k. Item Processing--The internal receiving, recording, and 'perhaps redistribution of checks, drafts, or other debit and credit items written by customers of an institution or deposited by its customers and drawn on another institution. This includes posting or recording of the check in the individual customer's account and the microfilming and balancing of all such items received.

29. Wholesale/Retail Lockbox—Also known as remote item processing or remittance processing. A banking service provided for the rapid collection of a customer's receivables and rapid credit to the customer's account. The service provided by the bank includes collecting mail from the company's post office box; sorting, totaling, and recording the payments; processing the items; and making the necessary bank deposit or forwarding the funds to another depository.

    The service can also be used by the institutions themselves to service their own loan portfolios. "Wholesale" refers to receivables flows that involve a few items with large dollar amounts per item. "Retail" refers to those flows with a large number of items and small per-item dollar amounts.
30. Check Guarantee/Authorization-The process of providing merchants and other vendors with assurance that a particular check being presented has the issuing bank's ability to pay behind it. In this mode, check guarantee/authorization should not be confused with the electronic-based procedures to be discussed later. This process generally involves a relationship between merchant and bank in contrast with electronic-based procedures which involve the use of third-party service.
31. Securities Safekeeping–Generally provided by banks to brokers or by banks to correspondent banks, this service insures that securities are maintained under dual custody. It can also have electronic applications when banks provide the service to their customers for paperless securities, such as Treasury bills and commercial paper.
32. Personal Trust—Services wherein financial institutions manage the assets of others for a fee. Wholesaling aspects involve correspondent relationships and trust companies as agents for financial institutions without the necessary infrastructure to support the activity.
33. Escrow Accounting–Services provided to escrow agents (title companies or attorneys in certain geographic areas) that enable the agency to maintain trust accounts and to report on the settlement of buyer and seller accounts.
34, Note Collection–Service wherein the financial institution acts as collecting agency for a customer on obligations owed by others to the customer. Historically, this service has been underpriced by banks and thrifts and frequently is being abandoned, owing to the heavy costs involved.
35. Mortgage Banking—The process of acting as an intermediary between the loan origination and funding systems. Generally, the mortgage banker will be equipped with the origination system and will tap national secondary mar-

kets for funding. In many cases, nondepositor mortgage bankers will be supported with warehousing lines of credit from banks to facilitate timely funding of loans. These advances are ultimately repaid through filling of commitments with funds purchased in the open market. Three common secondary marketmakers exist–Federal National Mortgage Association, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation, Securities brokers play a very active role in supporting this activity with their efforts to optimize investor returns by investing client funds in the debt and equity of these three agencies, as well as sponsoring their own real estate mortgage investment pools.

36. Collection Service (Brokerage)–The process of entering for collection the interest coupons of municipal, State, and Federal bond obligations (as well as certain non-Government debt securities) on behalf of others. This service, as in the case of note collections, was implicitly rather than explicitly priced for some time and is rapidly disappearing in many institutions. Frequent offerors include securities brokers, banks, and thrift institutions.
37. Private Placement–The business of selling the long-term debt or equity instruments of a client directly to one or more financial institutions without going to the public market.
38. Equity Brokerage—The trading of securities on behalf of a broker's clients either on one of the great number of securities exchanges or through an off-market transaction.
39. Public Offering–The process of taking a privately held company public through underwriting the new securities (guaranteeing a specific price) and then selling them to retail or institutional clients, or the process of offering additional stock or debt securities for an already public company. Requires that the securities be registered with the Securities and Exchange Commission and the offering be conducted in accordance with its regulations.
40. Relocation Management–A relatively new service of a few brokers, relocation management services assist the employees of corporate employers in their periodic job-related relocations by advancing the equity in owned real estate, thus brokering the sale of transferee's home and the purchase of another in the receiving city. As of December 31, 1982, Merrill Lynch had $430 million invested in equity purchases.
41. Real Estate Brokerage–Occurs when the brokerage community expands into real estate services through acquisition of existing real estate companies or renewed offerings of the services through existing securities brokerage offices.
42. Securities Settlement–The process of transferring title between buyers and sellers of securities within the 5-day limit. Involves delivering negotiable securities to the buyer, good funds to the seller and effecting a change in ownership on the books of the transfer agent.
43. Annuities–The amount payable according to contract annually or at other regular intervals for either a certain or an indefinite period, as for a stated number of years or for life. Several types of annuities exist, and in most cases brokers merely sell the annuity programs of a particular life insurance underwriter,

Transaction Products (Electronic-Based)

44. Data Base Access–These products require that the user be equipped with electronic hardware and attendant software to gather and manipulate data or to take action based on the data provided. There are essentially two types of data-based access products-–passive and active. Passive products merely provide the user with information (e. g., account balances, airline schedules, stock prices). Active products enable the user to execute formatted transactions in conjunction with the information (transfer funds, book and pay for reservation, buy or sell securities, and settle payment).
45. Branch Automation–Those products designed to enable banks, thrift institutions, and NDFIs to increase productivity while reducing personnel costs through resource substitution.
    a, Platform Automation—The second step in the branch automation process is that of automating the functions of the administrative and loan platforms. In most cases, automation amounts to teller-terminal emulation with access to small customer information, word processing, and limited personal-computer data-manipulation functions. The loan authorization function is also provided in some cases.
    b. ATMs–Hardware and software that provide customer access to personal account information and transaction sets to conduct banking business. Machine configurations

range from full function to inquiry only to cash dispensing only.

c. Teller Terminals—These products enable banks, thrift institutions, and credit unions to address extract files and to perform teller functions against memo post files. Their functionality is generally limited to transactions involving demand deposit accounts (DDA) and savings types of accounts.

46. Settlement and Clearing:

a. Settlement—In interchange, the process of cardholder banks and merchant banks either paying by draft or drafting upon one another for payment of bank card transactions. A transfer of funds between two parties in cash or on the books of a mutual depository (e.g., the Federal Reserve Bank) for consummating one or more prior transactions made subject to final accounting. The conclusion of a transaction by completing all necessary documentation, making the necessary payments, and transferring title, where appropriate.

b Clearing–A banking term referring to the inter-bank presentation of checks, the offsetting of counterclaims, and the settlement of resulting balances. The term may be used in a purely local operation or on a nationwide basis.

47. Automated Clearing House/Electronic Clearing House—A facility that performs intermember (financial institutions) clearing of paperless entries between such institutions. Most ACHS are operated by the Federal Reserve and use rules, procedures, and programs developed on a local basis by their participating financial institutions under the general direction of the National Automated Clearing House Association.

48. Wire Transfer—The process of moving customer money from one place to another without the transfer of paper documents by means of telecommunication between financial institutions. Larger banks have access to Federal facilities, while smaller institutions rely on their correspondent banks to perform the task. The important characteristics of wire transfer are speed and the secured nature of transmiss ion.

49 Cash Management–A generic term for several discrete products designed to speed the collection of funds receivable and delay the disbursement of funds payable.

a. Depository Transfer Checks—Depositor~' transfer checks (DTCS) are items processed through the payments systems and are preauthorized drafts on remote banks used for the purpose of concentrating cash in a single depository.

b. Concentration Accounting—The receiving end of the DTC system or other cash-gathering mechanism.

c. Automated Investment Accounts–Those cash concentration accounts that are preprogrammed to sweep balances in excess of a target amount into interest-earning accounts or investments on behalf of the customer—usually a commercial depositor.

d. Cash Forecasting-A service whereby a financial institution uses the cash receipts and disbursement journals of its customers to develop an analysis of that cornpany's cash requirements for a given period. This enables the customer to invest the unneeded funds for future use.

50. Business Banking Products– The following products are generally offered by most banks to their corporate customers and rely heavily on electronics either for product deliver-?. or facilitation.

a. Account Reconciliation—Customers provided either paper-based or electronic-based information on the checks they have writ - ten, which, when matched by the bank with those checks that have cleared, enable the bank and the customers to maintain a single cash balance journal.

b. Account Consolidation–The creation of multiple accounts that are actual subsets of a single account. The funds reside in one account, but statements are prepared for each subaccount. This is particularly attractive to customers with multiple-branch profit centers. The process requires additional MICR* encoding on each separate set of checks.

c. Balance Availability Reporting—Requires that a bank provide inter-da}' balance reporting as checks and deposits are made through a business day. This information is generally transmitted to a terminal in the customer's office.

d. Balance Concentration/Sweep–The receiving depository account for funds drawn off of subsidiary accounts and then invested in money market instruments.

* MICR Magnetic ink character recognition.

e. **Automatic** Customer Billing—A software-driven product whereby the customer provides the bank with electronic-based data on its customers and the bank generates either paper or electronic debits or bills that are either mailed or processed through the ACH.

f. Deposit Reconciliation–A service, similar to account reconciliation and account consolidation, that reconciles customers' deposits by branch or profit center.

g. Accounts Payable Check Writing–In this service the bank uses a customer's accounts payable journal and discount information to prepare its checks to vendors. In many cases, this service is combined with a remote disbursement account located at another bank, usually in a city with no Federal Bank ACH.

51. Point-of-Sale Systems–A point-of-sale (POS) transaction is a full funds transfer that can be accomplished by electronically entering transaction data into an electronic payment network and transmitting the payment information to a data base in a depository institution's computer. POS systems serve many masters. Retailers use them to help control inventory levels, to assist in order management, and to authorize checks and credit and debit card purchases. More sophisticated systems are capable of gathering all data necessary for draft or check processing and enable banks to provide truncated services to cardholders or depositors. In all cases, POS systems reduce the steps, and therefore the time, required to process a transaction.

52. Home Banking–Though in its infancy, home banking is growing rapidly in popularity. The most common form of home banking today is telephone billpaying, which enables customers of banks, thrift institutions, and credit unions who have touchtone telephones to inquire about their balances, make account transfers, and pay certain household bills. This service has evolved from the marriage of telephone lines, television monitors, personal computers, and television cable into several pilot projects that enable the consumer to perform the aforementioned functions, as well as to inquire about other bank products, to budget household finances, and to reconcile bank statements. Some pilot projects also enable the consumer to make purchases from the home while settling on-the-spot through direct debit to a depository account or through a charge to a credit account.

53. ATM Systems—An unmanned electronic device that performs basic teller functions such as accepting deposits, advancing or withdrawing cash, relaying balance-inquiry information, and allowing transfer between a customer's account. The device is usually activated by a magnetically encoded card or by the transmission of a code via a keyboard or keyset. Such devices may be accessible 24 hours a day. The definition of an ATM system differs from the definition of ATMs under branch automation in that the ATM system may also involve credit authorization, check verification, draft data capture, and transaction processing.

54. Comingled Investment Pools–Enable banks to leverage their investment expertise to provide investment services to their customers directly or to other institutions on a correspondent basis. Generally, the product takes the form of employee benefit trust management, if provided to the public, and funds management, if done on a correspondent basis.

55 Direct Debit–Several industries rely on the direct debit to settle the purchase of goods or services. When the ACH concept is fully exploited, many more industries may take advantage of this process. One of the more visible uses of the direct electronic debit is the insurance settlement account (ISA) used by the insurance industry. For those policyholders who spread insurance premiums over time, the ISA offers the processing of preapproved charges to the policyholder's depository account at virtually any institution in the Nation. Mortgage bankers have begun using the direct debit, and it should not be long before other providers will also. Possible users include thrift institutions and major providers of consumer credit (e.g., General Motors Acceptance Corp. (GMAC), Beneficial Finance, and leasing companies).

56. Funds Movement and Inquiry-Generic terms for electronic-based cash management services, including funds transfer (wire-based) and access to data base information on the distribution of available funds (e.g., Where are they? Collected or uncollected? Ingestible?).

57. International Banking Products–These products are provided to enable the customers of banks and thrift institutions either to do business in the global market or to have access to funds while traveling worldwide.

a. Letters of Credit–Letters of credit (LCS) are evidence of financial institution's willingness to underwrite the dealings of its customers in arrangements where the customer is unknown to the seller of the product or in countries where the extension of trade credit to foreigners is forbidden (e.g., Japan). While the actual letter is paper-based, the advice and LC number is transmitted electronically through the banking network to the customer's seller (although the LC may be required by a buyer as a performance bond). Trade LCS will probably never be completely electronic because of the extra documentation required, such as bills of lading, port entry receipts, and insurance.
b. Credit Inquiry–Dealing in foreign trade requires that information be gathered on behalf of buyers or sellers, and banks have this capability through either their correspondent networks or through third parties.
c. Foreign Exchange–Bank customers who deal heavily in foreign trade must often settle in foreign currency, making it necessary to deal in the global currency markets. Banks themselves that are active in foreign lending frequently participate in the foreign exchange market to protect their positions against adverse currency exchange rates. Foreign travelers often need to use foreign currency that they can purchase in the United States prior to departing. Banks rely heavily on electronic messages to keep abreast of foreign money markets, not only for their own accounts but also for those of their customers,
d. Draft Collection-–Involves processing drafts received or delivered under letters of credit and is a part of the international clearing process.
e. Syndication–Forming consortia of banks to provide credit and clearing services to real and quasi-governmental agencies of foreign nations as well as their nationalized and independent banks. International syndications provide offshore project finance. Usually the syndicating bank guarantees a borrowing or servicing cost and then negotiates downward from the determined rate with potential syndicate members, intending to reap a spread differential profit.
f. Dollar Collection– Involves the service of processing checks drawn on U.S. banks and presented to customers of foreign banks. This is a service of the international correspondent bank community and involves the settlement of cash letters. While the volume in cash letters is extremely high, the majority of cash and dollar settlement is done by a handful of the largest U.S. banks.

,58. Stock Transfer-Banks act as the transfer agents for publicly held stocks. In this capacity they are required to process the changes of ownership of billions of shares each month. It is important that these institutions maintain a data base that provides ownership records to verify ownership, a service accessed by not only the corporation stock issuers but also the securities industry.

59. Commercial Paper–Short-term (270 days or less), unsecured promissory notes issued by businesses of significant financial strength or whose paper is backed by a letter of credit from a major bank. Brokers are merely one of two ways commercial paper is marketed. The major exception is Citicorp, which brokers its own commercial paper.

60. options/Futures–options" are a tradeable right to buy or sell securities. Futures contracts are a legally binding agreement that call for the purchase or sale of a real or hypothetical commodity at a stated price and future point in time.

61. Equity Brokerage—The trading of securities on behalf of a broker's clients on one of the great number of stock exchanges.

62. Index Funds Brokerage–The selling funds whose yields are defined by specified stock indices such as Dow Jones Industrials, Standard and Poor's, and the Wilshire Index.

63. Bond Brokerage–The brokerage of debt instruments of strong corporations to clients.

64. Fund Management–The continual arrangement and rearrangement of the bank balance sheet or that of any trust or fiduciary fund in an attempt to maximize profits, subject to having sufficient liquidity and making safe investments.

65. Debit Cards–A plastic card issued by a financial institution to its own customers that, by usage, credits or debits the customer's personal account (checking, savings, or line of credit). The card may be proprietary or it may be a regionally or nationally accepted card. With regard to the securities industry, debit cards are used to access funds on deposit in money market funds or to access lines of credit secured by securities portfolios or real property.

66. Securities Settlement—The process of transferring title between buyers and sellers of securities. This must be conducted within the 5-day limit.
67, Discount Brokerage—The provision of transaction services only, without the usual investment advice, for substantially reduced commissions.
68. Securities Lending–The process of lending securities for collateral purposes and short sales. These securities often end up as collateral for repurchase agreements,
69. Certificates of Deposit Brokerage–The offering to clients of investments in major bank and savings and loan negotiable certificates of deposit.
    a. Straight—Generally used to designate spot transactions.
    b. Strip–Instances where a group of CDs are sold together to match the maturities schedule of an underlying loan portfolio or a customer's future need for funds.
70, Insurance Services Account–The principal transaction product of the insurance industry is the insurance services account, which combines insurance premium financing with direct debit of policyholder's depository account in banks, thrifts, and credit unions. These debits can be paper- or electronic-based.

Information Services

71. Cash Requirements Forecasting—A system that uses financial institution customer data on receivables, payables, and capital spending to construct cash budgets and cash flow analyses that the customer can use to manage its receipts and disbursements more efficiently.
72. Working Capital and Cash Flow Analysis—A product tied to the cash requirements product which highlights the shortfalls and excesses of short-term assets minus short-term liabilities and expresses the same as a net negative or positive working capital position.
73, Investment Return Optimization Analysis—A product used by banks and their customers to evaluate alternative investment scenarios using a targeted internal rate of return as the primary algorithm. This product enables the banks and their customers to develop parallel views of customer investment requirements and ensures that the banks play an active role at the onset of the analysis rather than after the fact.
74. Consumer Financial Analysis-–This new product uses the industry's control of the payments mechanism to assist consumers in household budgeting. It uses additional information provided by the customer on checks and deposit documents to organize payments and receipts data in a fashion that enables the consumer to visualize how the household budget is spent, i.e., residence, entertainment, food, utilities, tax-deductible items, and non-tax-deductible items.
75. Business Financial Analysis--This new product works much like the consumer financial analysis product, using a business customer's check and deposit input to generate statements that reflect the prior period's cash basis profit and loss, and compares same against preestablished budgets.
76. Debt Issue Rating and Quotation Services—These information services are provided to major participants, who use them to guide their investment activities. Also included in the group are the equity rating and quotation services used by trust departments of banks and thrift institutions, as well as securities brokers, pension plan administrations, and insurance investment fund managers. The vast majority of these services are electronic-based and are provided by third parties.
77. Credit Reporting Agencies—These companies maintain large data bases or-t consumer and business credit histories and generate reports for subscribing members, who also provide current data on their credit consumers.