Acronyms and Glossary

Acronyms

ADP —Automatic Data Processing, Inc.
ADR —American Depository Receipt
AMEX —American Stock Exchange
BOTCC —Board of Trade Clearing Corp.
BSE —Boston Stock Exchange
CATS —Computer-Assisted Trading System (Toronto Stock Exchange)
CBOE -Chicago Board Options Exchange
CBOT —Chicago Board of Trade
CFTC —Commodity Futures Trading Commission (U.S.)
CME —Chicago Mercantile Exchange
CSE —Cincinnati Stock Exchange
DTC —Depository Trust Corp.
ERISA —Employee Retirement Income Security Act
FCM —Futures commission merchant
Forex —Foreign exchange
FRB —Federal Reserve Board
GAO -General Accounting Office (U. S.)
ICC —Intermarket Clearing Corp.
ITS —Interrnarket Trading System
LBO —Leveraged buyout
MOU —Memorandum of Understanding
MSE —Midwest Stock Exchange
NASAA —North American Securities Administrators Association
NASD —National Association of Securities Dealers
NASDAQ —National Association of Securities Dealers Automated Quotation System
NMS —National Market System
NSCC —National Securities Clearing Corporation
NYSE —New York Stock Exchange
OCC -Options Clearing Corp.
OTC -Over-the-counter
P/E —Price/earnings ratio
PHLX —Philadelphia Stock Exchange
PSE —Pacific Stock Exchange
RICO —Racketeer Influenced and Corrupt Organization Act
S&P500 —Standard & Poor 500 Stock Index
SEC —Securities and Exchange Commission (U. S.)
SIAC —Securities Industry Automation Corp.
SIPC —Securities Investor Protection Corp.
SRO —Self-Regulatory Organization
UMS —Universal message system

Glossary

Acquisition: One company taking over controlling interest in another company, often by paying more than the market price for the shares needed to acquire it.

Affirmative obligation: The duty of stock market specialists to maintain a fair and orderly market and assure liquidity or immediacy, by selling from their own inventories or buying for their own inventories when there are no other buyers/sellers at or near the market price. See Liquidity.

American Depository Receipts (ADRs): A receipt for shares of a foreign-based corporation, held by a U.S. bank; the receipts are listed and traded on U.S. stock exchanges in lieu of the shares.

Arbitrage: Profiting from fleeting differences in price in the same or related assets or instruments in two markets; e.g., buying gold in New York and selling gold at a higher price in Chicago, which tends to raise the New York price and lower the Chicago price. Index *arbitrage* is profiting in this way from temporary disparities between the average price of stocks represented in the Standard& Poor 500 Index and the price of the S&P 500 index futures contract.

Auction market: The system of trading on stock exchanges, in which prices are determined by competitive bidding between brokers (acting as agents for buyers and sellers) and with intermediation by a specialist when necessary; this is distinguished from the over-the-counter market, where prices are established by negotiation between customer and dealer. The exchange system is a "double auction" as opposed to a conventional auction with one auctioneer and many potential buyers. Futures markets are also double auction markets.

Audit trail: A record of transactions, identifying the participants, the terms of the trade, the time of the trade, and the firm responsible for clearing the trade. Audit trails are most useful for monitoring and surveillance when generated automatically, and in real time.

AURORA: An electronic trading system that was being developed by the Chicago Board of Trade for 24-hour, remote site trading; as of June 1990, there are plans to combine its development with that of GLOBEX, possibly to make AURORA an alternative user interface to GLOBEX.

Basket trade: The simultaneous sale, or purchase, of a diversified portfolio of stock such as the basket of stock represented in a stock index.

Bear market: A prolonged period of falling stock prices. See Bull market.

Best execution: Timely completion of a trade at the best price available in any market or from any dealer.

Bid: Indication of readiness to buy at a specified price. "The bid" is the highest price any potential buyer will pay at the moment. See Offer.

Big Board: Slang term for the New York Stock Exchange.

Block (or block trade): A large quantity of stock included in one trade; usually 10,000 shares or more.

Block positioner: A dealer (member of the exchange) who handles large block transactions "upstairs" (i.e., in the dealer's trading room, off the exchange floor) by finding buyers for sellers and vice-versa, usually themselves participating in the purchase or sale; the block positioner must be so registered with the exchange and must bring the negotiated transaction to the specialist on the floor for execution.

Bond: A security representing a loan by the buyer to the corporation or government issuing the bond; it may either pay interest, or it may be discounted in price from the value at maturity. Also called a debt security or a *freed-income security* (because traditionally, the interest rate was fixed, "although now it is sometimes variable).

Book (the): Record kept by a specialist of buy and sell limit orders in a given security. Once a notebook, now a computer file.

Broker: One who acts as an agent for a customer, usually charging a commission.

Bull market: A prolonged period of rising stock prices. See Bear market.

Bulletin Board (the): An electronic system operated by the National Association of Securities Dealers for displaying dealer quotations or expressions of interest in making markets in over-the-counter stock not listed on NASDAQ.

Buyout: Purchase of a company's stock (or a controlling percentage of it) in order to take over that company's operation, or its assets. *A leveraged buyout occurs* when the purchaser(s)often the management of the company—borrow the money to buy the shares, usually putting up the company's assets as collateral and intending to repay the loans with the company's revenues or by selling off some of its facilities or other assets.

Call, or **call option:** See Option.

Capital markets: Markets where debt and equity securities are bought and sold; includes primary placement and private placement of issues, as well as secondary markets (exchanges and over-the-counter trading).

Cash markets: Markets where a transaction can be completed and ownership transferred immediately, e.g., stock markets-as compared to futures markets, where contracts are to be satisfied at some later date. Cash markets are also called spot markets.

Churning: Excessive or injudicious trading that allows a broker controlling an account to earn commissions while disregarding the **best** interests of the customer.

Circuit breaker: A rule or procedure by which a market is closed down, or trading is halted, when price movement exceeds a specified limit. A circuit breaker is designed to prevent-or at least to slow down-a market crash.

Clearing and settlement: In securities markets: comparing the details of the transaction between buyer and seller (or their brokers) and exchange of securities for cash payment. In futures markets, satisfaction of the terms of the contract; both buyer and seller make a good faith deposit (initial margin) to a clearing house or clearing member firm.

Clearinghouse: An organization (or division) setup to handle the clearing and settlement of all transactions within a market or on an exchange. Its *clearing members* (usually large securities firms) deal directly with the clearinghouse but also act as intermediaries for other securities firms in clearing their trades.

Commercial paper: Short-term loans (maturities ranging from 2 to 270 days) made to banks, corporations, or other borrowers.

Commodity: Bulk goods such as grains, metals, and foodstuffs, for which the price is generally determined by competitive bids and offers; now includes standardized financial instruments.

Commodity Futures Trading Commission (CFTC): The U.S. agency responsible for regulating the trading of all futures contracts and options on futures contracts.

Common stock: Units of ownership of a corporation; owners typically are entitled to receive dividends on their holdings and to vote on the selection of corporate directors and on some other corporate decisions.

Continuous net settlement: A method sometimes used in securities clearing and settlement in which traders end each day with one "receive" or "deliver" position to be satisfied, rather than delivering or receiving stock and receiving or making payment separately for each transaction.

Covered option: A call option contract backed by ownership of the shares underlying the option; the option writer has the shares to deliver if the buyer of the option decides to exercise it. This contrasts with a naked option, for which the writer does not own the underlying shares. See *Option.*

Cross: A securities transaction in which the same broker acts for customers on both sides of the trade; illegal unless the broker first offers the securities publicly at a better price.

Cross-margining: A proposed form of margin netting (for options trading) in which the clearinghouse would recognize the hedging effects of positions in several markets, and accordingly reduce the margin required from participants with multiple positions.

Crossed orders: A situation in which the current bid is higher than the current offer, which may occur during

periods of extreme volatility.

Custodian: A bank or other financial institution that keeps stocks (or other assets) for individual or corporate customers, or for a mutual fund.

Dealer: A person or firm acting as principal in a securities transaction, trading for a proprietary account rather than on behalf of a customer. Dealers may make markets by buying and selling to customers.

Debt security: Tradable evidence of borrowing that must be repaid, stating the amount, a specific maturity date or dates, and usually a specific rate of interest (or discount+. g., a bond, bill, note, or commercial paper.

Delivery v. payment: A term used in clearing and settlement, meaning cash on delivery.

Derivative product: A contract (e.g., future, option) whose price depends on the price of the underlying asset (e.g., a commodity, a stock or an index of stocks).

Discount broker: A brokerage firm that executes orders to buy and sell but does not provide full services (e.g., advice, research), and charges commissions lower than those of a full service broker.

Downtick: Sale of a security at a price below that of the just preceding sale.

Dual trading: One firm or person acting as broker (agent) in some transactions and dealer (principal) in other transactions, on the same day in the same market.

Efficiency: The direct and rapid reflection in market price of all relevant information, including supply and demand. A desirable market characteristic.

Efficient market theory: Theory that market prices reflect the knowledge and expectations of all investors (there is no way to beat the market); theory that market prices should only reflect the knowledge and judgment of all investors, and should be 'distorted" as little as possible by transaction costs, including regulatory costs and taxes.

Employee Retirement Income Security Act, 1974 (ERISA): Law governing operation of corporate pension plans, and setting up the Pension Benefit Guaranty Corporation; partly responsible for the growth of the largest category of institutional investors—corporate pension funds.

Equity: Stock; the ownership interest possessed by shareholders in a corporation.

Eurobond: Bond denominated in one currency (e.g., U.S. dollars) and sold to investors outside that country; usually issued by large underwriting consortia composed of financial institutions from many countries.

Eurodollars: U.S. currency held in banks outside the United States, commonly used for settling international transactions; some securities are issued in Eurodollars (interest is paid in dollars deposited in foreign bank accounts).

Exchange: An organized market with transactions concentrated in a physical facility (a "floor"), with participants entering two-sided quotations (bids and offers) on a continuing basis. Compare: over-the-counter market.

Exchange Stock Portfolio (ESP): Anew product offered by the New York Stock Exchange, representing a diversified basket of stock but settled in cash rather than delivery of stocks.

Exclusivity clause: The clause in the Commodity Futures Trading Act [7 U.S.C. 2a(ii)] that gives the Commodity Futures Trading Commission exclusive jurisdiction over contracts of sale "for future delivery. "

Fairness: The qualities in a market of: 1) offering equal treatment to investors (orders filled in order by price-i. e., highest bid, lowest offer-and by time received); and 2) absence of fraud, manipulation, and customer abuse.

Fiduciary responsibility: The legal obligations of a person, corporation, or association investing for or holding assets in trust for another person or institution.

Financial future (contract): A future contract based on a financial instrument such as a Treasury bill, foreign currency, certificate of deposit, or index of stocks. (There are no futures on individual stocks.)

Financial institution: A company that collects finds from the public and places them in financial assets—includes banks, credit unions, insurance companies, pension plans, etc.

Fixed-income security: See Bond.

Floor broker: An employee of an exchange member firm, who acts as an agent for clients by executing orders on the floor of the exchange (or in the pit, in a futures exchange).

Floor trader: Member of a stock or commodity/futures exchange who trades on the floor for his or her own account. In commodity/futures exchanges, a floor trader is also called a "local."

Foreign exchange (forex): Instruments used in making payments between countries; includes currency, notes, checks, bills of exchange, and electronic transfer records.

Forward contract: Purchase or sale of a specific commodity or other asset at the current (spot) price but for delivery and settlement at a specified later date.

Fourth market: The direct trading of blocks of securities between institutional investors (often through proprietary electronic trading systems) without intermediation by brokers or dealers. See Third market.

Frontrunning: An abusive practice in which a broker with advance knowledge of a block transaction and holding a customer order trades for himself ahead of the customer, to take advantage of possible price changes as a result of the execution of the customer trade.

Futures commission merchant: A firm that buys or sells futures contracts and accepts payment from or extends credit to those whose orders it accepts.

Futures contract: A contractual agreement to buy or sell a specific amount of a commodity or financial instrument at a specified price for later delivery.

Gapping market: The price movement of a stock or commodity when one day's trading range does not overlap the previous day's, causing a gap in which no trade has occurred. This can also happen during a precipitous intraday price decline; price jumps maybe so large that some limit orders do not get executed.

G1ass-Steagall Act (1933): Law prohibiting commercial banks from owning brokerage firms and engaging in most underwriting activity; designed to insulate bank depositors from market risks.

GLOBEX: An electronic trading system being developed by the Chicago Mercantile Exchange and Reuters (now with participation by the Chicago Board of Trade) for 24-hour remote-site futures trading.

Hedge: To offset or balance investment risk by another investment or a transaction in another market. For example, one can hedge one's investment in 100 shares of stock X ($100 per share) by buying a put option giving one the right to sell those shares at $100 per share over the next 3 months.

Immediacy: Sufficient liquidity in a market to allow trades to be made immediately at a market price-e. g., a balance of potential buyers and sellers.

Index: A statistical construct used to measure market behavior. A popular index is the Standard& Poor 500 (S&P 500), which is the weighted average of the prices of 500 frequently traded New York Stock Exchange stocks.

Index arbitrage: Trading in order to profit by temporary differences between the value of stocks in an index and the price of the derivative index future contract.

Index future or stock-index future: A futures contract that covers the price of a diversified stock portfolio matching a designated stock index. See Index. The index future is settled in cash, not in delivery of stocks.

Index option or stock-index option: An option that covers the price of a diversified stock portfolio matching a designated stock-index. See Index.

Indexed fund: An institutional investment portfolio that matches that of an index such as the S&P 500. See Index. Many pension funds are indexed.

Information services vendors: See Vendors.

Insider trading: Illegal trading by a corporate officer or retainer (e.g., counsel) to take advantage of privileged information about impending events that will affect market price.

Instinct: A proprietary electronic system (Reuters) for "fourth market" trading. See Fourth market. Instinct is handling about 13 million trades daily in 1990.

Institutional investor: An organization such as a pension plan, a mutual fund, an insurance company, or a union, that holds and trades large numbers of securities on behalf of members.

Intermarket Trading System: A video-computer system that links specialists' posts at the New York American, and regional stock exchanges; a broker at one exchange can send an order on to another exchange with a better price.

Junk bond: A debt security of less than investment grade rating, paying a high rate of interest; often issued in the course of leveraged buyouts.

"Lean against the market": The action of a specialist carrying out his affirmative obligation by buying for his own inventory in an attempt to stop or slow a sharp market decline.

Leverage: Increasing return or value without increasing investment; e.g., buying stocks on margin uses borrowed money for leverage, buying a stock-index future rather than a portfolio of stock gives greater leverage because futures margins are lower than stock margins.

Leveraged buyout: See Buyout.

Limit order: An order (to buy or sell at a specified price) placed on a specialist's book, to be executed when and if the market price reaches that price, or limit.

Liquidity: The capability of a securities market to handle a large transaction without moving the price; usually requires the availability of many potential buyers or sellers.

Listed security: One that meets exchange criteria and has been accepted for trading by an exchange.

Local: A floor trader in the futures pits, who trades as a principal or speculator.

Locked orders or locked market: The situation where bids and offers are identical. See Crossed orders.

Locked-in trades: Trades that have been matched (usually by computer, at an exchange) before reaching a clearinghouse for settlement.

Long position: Ownership of securities or instruments, contrasted with a short position. See Short.

Making a market: Maintaining firm bid and offer prices for a security and standing ready to buy and sell the security at those prices. In a U.S. stock exchange, only the specialist acts as *market-maker for* a given security, but in the over-the-counter market there may be competing market-makers for a security.

Margin: In securities markets, the deposit a customer makes with a broker in buying securities (the broker extends credit for the rest of the price). In futures markets, a good-faith deposit or performance bond, placed with a futures commission merchant by a customer, or with a futures clearinghouse by its members, to ensure that the depositor will meet financial obligations.

Mark to market: Adjust the valuation of a futures position to reflect current market prices, in order to

adjust margin accounts; the gain or loss in each market participant's position as a result of trading is calculated daily or several times a day depending on market volatility.

Market-maker: See Making a Market.

Multiple-trading (of options): The trading of the same option by more than one exchange; the SEC has ruled that by 1992 all options can be multiple traded.

Mutual fund: A fund, operated by an investment company, that raises money by selling shares to the public and invests that money in stocks, bonds, commodities, or other securities or financial instruments.

Naked option: An option for which the writer (seller) does not hold the underlying security. Naked options involve large risks and large potential profits. See Covered option.

National Association of Securities Dealers (NASD): The Self-Regulatory Organization of over-the-counter securities dealers, and the operator of *NASDAQ, their* automated quotation display system.

National Market System: 1) The objective of the 1975 Securities Exchange Act Amendments-an integrated nation-wide system for competitively trading securities. 2) A category of actively traded over-the-counter stocks on NASDAQ.

National Securities Clearing Corporation (NSCC): The clearing organization for almost all U.S. stocks, formed in 1977.

Odd lot: Less than 100 shares (a round lot). Odd lot transactions can be executed through most retail brokers; the specialist assembles these into round lot trades. The investor pays a higher commission.

Offer: Indication of readiness to sell at a specified price. ''The offer" is the lowest price that any potential seller is prepared to accept at the moment. See Bid.

Off-board trade: A trade of exchange-listed stocks that occurs away from the exchange, in the third or fourth market.

Off-setting: 1) Liquidating a purchase of futures contracts through the sale of an equal number of futures contracts of the same delivery month, thus closing out a position. 2) Hedging by balancing one transaction with another-e. g., a short sale of stock.

Open outcry: The method of trading on futures exchanges: public double auction in the pits, accomplished by shouting bids and offers.

Opening: 1) The price at which a security, commodity, or futures contract begins the trading day. 2) The period at the beginning of the securities trading day when the opening price is determined by the specialist after inspecting opening bids and offers.

Option: A unilateral contract conferring the right to buy (a *call option)* or the right to sell *{a put option)* a stock commodity, or financial instrument at a predetermined price within a specified time period.

Option writer: A person or firm that sells options, thereby earning a *premium* paid by the buyer.

Out-of-the-money: Having no intrinsic value at the moment; for example, a call option to buy Stock X at $30 a share when Stock X is selling at $25 a share is out-of-the-money by $5.

Over-the-counter: A market in which securities transactions are negotiated and executed through competing dealers, operating by telephone and computer networks, rather than on an exchange.

Penny stock: Historically, stock that sold for $1 a share or less, now generally applied to stock that costs $5 or under. Most penny stocks are sold over-the-counter.

Pink Sheets: Daily publication of the National Quotation Bureau that lists bid and asked prices for over-the-counter stocks not listed on NASDAQ, with market-makers for each stock

Pit: The tiered trading floor of commodities exchanges, on which futures contracts are traded by open outcry.

Portfolio: The combined holdings of an investor, including stocks, bonds, commodities, and other tradable assets and instruments.

Portfolio insurance: A trading strategy aimed at substantially reducing the market risk of a portfolio, especially a strategy that uses stock-index futures to hedge a stock portfolio. Popular computer models or programs used for directing portfolio insurance strategies, which called for selling stock-index futures in a declining market or buying them in a rising market, were widely blamed for contributing to the 1987 market crash.

Premium: 1) The amount that the buyer of an option pays the seller, or writer, of the option. 2) A better price, as in ''The future on Currency X is at a premium to the spot price. "

Price **discovery:** Determination of the price by competitive bidding; this process is assumed to "discover" or reveal the real value of an asset or instrument by integrating the knowledge and expectations of all potential investors.

Price/earnings ratio: The price of a stock divided by its earnings per share; indicating how much earnings growth can be expected; low P/E stocks tend to be low-growth, mature industries with stable earnings.

Price priority: The rule whereby market orders with the highest bid, or the lowest offer, are filled first, ahead of lower bids and higher offers even if those orders are larger or arrived earlier.

Primary market: The market for newly issued stocks, in which proceeds of the sale go to the issuer. *Compare* Secondary market.

Private placement: Sale of securities directly to an institutional investor, not offered to the public and not intended for resale; privately placed issues do not have to be registered with the SEC.

Program trading: The simultaneous or synchronized purchase or sale of a large number of stocks, possibly

several hundred, often but not always involving related sale or purchase of stock-index futures. Program trading usually is computer-assisted but can be done manually.

Put or put option: See Option.

Quotation: The highest bid and lowest offer currently available on a round lot transaction (100 shares) or a stated larger quantity.

Racketeer Influenced and Corrupt Organization Act (RICO): Law under which some alleged perpetrators of fraud in securities and futures markets have been indicted.

Regulation T: The Federal Reserve Board regulation covering credit extended to customers by securities brokers and dealers, and establishing initial margin requirements for stock transactions.

Round lot: The generally accepted unit of trading in securities markets: 100 shares of stock or $1,000 or $5,000 par value for bonds. See Odd lot.

Rule 10a-1: SEC rule prohibiting short sale of securities below the price of the last regular trade, and at that trade unless it was higher than the preceding price. The Short Sale Rule, also called Uptick Rule.

Rule 15c-2-6: SEC rule requiring penny stockbrokers to give certain explanations to customers and to record customer affirmations that these explanations have been given. See Penny stock.

Rule 15c-2-10: SEC proposed rule requiring sponsors of electronic proprietary trading systems to file financial and operational plans with the SEC.

Rule 19c-3: SEC rule permitting securities listed on an exchange after April 26, 1979, to be traded 'upstairs,' or off-floor, by member firms; an exception to Rule 390.

Rule 19c-5: SEC rule allowing any option to be traded on all five equity-options exchanges, beginning in 1992.

Rule 144a: SEC rule allowing unregistered securities to be traded by institutions in the fourth market.

Rule 390: NYSE rule forbidding exchange members to make markets in exchange-listed stock in over-the-counter markets (i.e., in competition with NYSE specialists).

Seat: Membership on an exchange; may be bought and sold.

Secondary market: Exchanges and over-the-counter markets where securities are resold and bought after their issuance and primary placement.

Securities Acts Amendments of 1975: Amendments of the 1934 Securities Exchange Act and related legislation, directing the SEC to work with the securities industry to establish a National Market System, and setting out public policy objectives related to U.S. securities markets.

Securities and Exchange Commission (SEC): The U.S. agency responsible for regulating the trading of equity securities and options.

Security: An instrument that represents 1) a share of ownership in a corporation stock 2) a loan to a corporation, government, or governmental body-a bond; or 3) conditional rights to ownership-e. g., an option.

Self-Regulatory Organizations (SRO): Industry organizations or associations responsible for enforcement of fair and efficient practices in markets. SROs, including exchanges and dealer associations, make and enforce rules binding on their members.

Sell short: To sell a security that one does not own, anticipating that one can subsequently buy the security at a lower price for delivery. *Selling short against the box is* to sell stock owned but kept in safekeeping with ownership not disclosed, usually so that the short seller could defer a long-term capital gain into another tax year.

Settlement: Completion of a transaction, by delivery of securities to the buyer and payment to the seller or (for futures and options) carrying out the terms of the contract or off-setting it.

Share: The unit of equity ownership in a corporation, represented by one stock certificate.

Short, or short position: Shares that a trader owes, i.e., has sold without owning, expecting to buy them later at a lower price.

Side-by-side trading: The trading, on the same exchange floor, of a stock and the option on that stock.

Single price auction: A procedure in which all orders are queued according to the bid or offer and an "auctioneer' (probably a computer) determines the price that will come closest to clearing the market. Orders with bids/offers as good as or better than that price will be executed.

Soft dollars: Rebates on brokerage commissions, sometimes made to large institutional customers, in the form of free research, computer services, etc., rather than in cash.

Specialist: Stock exchange member who is the designated and sole market-maker for a stock on one exchange. The specialist executes limit orders, brought to him by other exchange members on behalf of customers, and buys for or sells from his own inventory when necessary to counter order imbalances, provide liquidity, and prevent wide swings in stock prices.

Speculator: A person who trades in futures pits for his or her own account, in order to profit by successfully anticipating price movements, thereby assuming risks that hedgers wish to hand off.

Spot markets: See Cash markets.

Spread: The difference between the bid and offer price for securities. The spread narrows or widens according to supply and demand, i.e., competition between dealers or among potential buyers and sellers narrows the spread.

Stock: Ownership of a corporation; a claim on a corporation's earnings and assets; issued by a corporation to raise capital.

Stock index: See Index.

Stock-index future: See Index future.

Stop order or a stop-loss order: An order to buy or sell at the market price once the security has traded at a specified price called the stop price. A stop order to sell (at a price below the current price) is designed to protect a profit, or to limit the loss on a stock bought at a higher price. A stop order to buy (at a price above the current price) is designed to protect a profit or to limit a loss on a short sale.

Strike **price: The** designated price for exercise of an option.

Takeover: A change in the control of a corporation by buying up shares. A *hostile takeover aims* at replacing the existing managers.

Third market: The trading of exchange-listed securities in the over-the-counter market. Exchange-member firms cannot participate in the third market as market-makers because of Rule 390.

Ticker tape: Device that displays price and volume for stock transactions, as they occur, to investors around the world. Once a printed paper tape, it is now a running display on computer screens. A consolidated tape covers trades on the New York American, and regional stock exchanges.

Time priority: In stock exchanges, a rule that orders with identical bids (or offers) are filled in the order at which they reach the specialist's post.

Trade reconstruction: On futures exchanges there are no automatically generated records of the time/price/ principals in a trade (i.e., no audit trail). Exchanges are required to be able to 'reconstruct such a record from available data, assigning a time accurate within 15 minutes of the actual trade.

Triple witching hour: The last trading hour of the quarter, i.e., on the third Friday of March, June, September, and December, when options and futures on stock indexes expire, causing a high volume of trading (and often high price volatility) of the options, futures, and underlying stock.

Two-dollar broker: On stock exchanges, a floor broker who executes trades for other brokers, too busy to do it themselves, for a fee (once $2 per round lot).

Underwriting: Buying an issue of stock from the issuing corporation (or governmental entity) and reselling it to the public. Underwriting is an activity of investment bankers, but is now often done by a consortium of them.

Universal message switch: A hypothetical, or proposed, system that would automatically route customer orders from a broker's office to the exchange or dealer with the best quotation at that moment, in order to achieve maximum competition among markets and dealers.

Upstairs trade: A transaction completed within a broker-dealer's firm (in an exchange member's upstairs trading room rather than on the floor), without using the exchange. Such trades must occur at prices no less favorable to the customer than that prevailing in the public market.

Vendor: One who supplies commercial goods or services; in this report, companies that supply market data (trades, prices, volume, quotes); information services vendors, such as Reuters.

Volatility: Rapid declines or rises in price, especially if the changes reverse directions several times in a short period, or if the price changes are unanticipated or are seemingly without full explanation.

Wash sales: A fictitious trade, made without taking a position; giving a false impression that purchases and sales have been made.

Wire house: An old term for a brokerage or futures commission merchant, connected to its branch offices by telephone, telegraph, or cable.