Glossary

Sl. No.	Term	Description
1.	Bid – Ask spread	The difference between the offer price and the bid price.
2.	Buyback of Government Securities	Buyback of Government securities is a process whereby the Government of India buys back their existing securities from the holders.
3.	Cash Management Bills (CMBs)	The CMBs have the generic character of T-bills but are issued for maturities less than 91 days. The tenure, notified amount and date of issue of the CMBs depends upon the temporary cash requirement of the Government. Investment in CMBs is also reckoned as an eligible investment in Government securities by banks for SLR purpose under Section 24 of the Banking Regulation Act, 1949.
4.	Competitive Bidding	Competitive bidding is a process in which an investor bids at a specific price / yield and is allotted securities if the price / yield quoted is within the cut-off price / yield.
5.	Consolidated Fund of India	The fund constituted under Article 266 (1) of the Constitution of India into which all receipts, revenues and loans flow. It consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans, etc.).
6.	Currency Risk	The risk of loss from an adverse movement in exchange rates between the time of purchase and the time of sale of a currency position / security.
7.	Dated Government Securities	Dated Government securities are long term securities and carry a fixed or floating coupon (interest rate) which is paid on the face value, payable at fixed time periods (usually half-yearly).
8.	Debt Service	Payments made to creditor(s) towards matured principal amount and interest. It usually includes service charges, commitment charges etc.
9.	Devolvement	Devolvement is a process whereby if an investment issue is undersubscribed, an underwriter is required to subscribe to the remaining securities / bonds. The outstanding unsubscribed amount devolves onto the underwriter.

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10.	FIMMDA	Fixed Income Money Market and Derivatives Association of India (FIMMDA), a Company incorporated under section 25 of the Companies Act, 1956, has members representing all major institutional segments of the market. FIMMDA releases rates of various Government securities that are used by market participants for valuation purposes.
11.	Fiscal Deficit	It means the excess of total disbursements, from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund (excluding the debt receipts), during a financial year.
12.	Fixed Rate Bonds	These are bonds on which the coupon rate is fixed for the entire life of the bond
13.	Floating Rate Bonds	Floating Rate Bonds are securities which do not have a fixed coupon rate. The coupon is re-set at pre-announced intervals (say, every six months or one year) by adding a spread over a base rate.
14.	Government Security	A Government security is a tradable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation.
15.	Impact Cost	Impact cost represents the cost of executing a transaction in a given stock, for a specific predefined order size, at any given point of time.
16.	Indexed Bonds	These are bonds, the principal and coupon of which is linked to an accepted index of inflation with a view to protecting the holder from inflation.
17.	Interest Rate Risk	The risk faced by an entity holding a debt portfolio on account of adverse movements in interest rates.
18.	Market clearing rate	Market clearing rate is the rate at which the quantity supplied equals the quantity demanded.
19.	Market Risk	Market risk is the exposure that arises as a consequence of movement in market price of assets and positions which can be traded in a defined market.
20.	Maturity Buckets	Maturity bucket denotes the period of residual maturity of a security.
21.	Maturity Date	The date when the principal (face value) is paid back

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22.	Monetary Policy	The procedures by which Governments or the Central Banks try to affect macroeconomic conditions by influencing the supply of money.
23.	Multiple/Uniform price based auction	In a Uniform price auction, all the successful bidders are required to pay for the allotted quantity of securities at the same rate, i.e., at the auction cut-off rate, irrespective of the rate quoted by them. On the other hand, in a multiple price auction, the successful bidders are required to pay for the allotted quantity of security at the respective price/yield at which they have bid.
24.	Multilateral and Bilateral Debt	Multilateral debt is debt contracted from multilateral institutions such as the International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), Asian Development bank (ADB) etc. Bilateral debt is contracted from sovereign countries.
25.	Non-Competitive Bidding	Non – competitive bidding is a process by which investors can participate in the auction process without mentioning a specific price / yield. Such bidders are allotted securities at the weighted average price / yield of the auction
26.	Open Market Operations (OMOs)	OMOs are the market operations conducted by the Reserve Bank of India by way of sale/ purchase of Government securities to/ from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis.
27.	Price based auction/yield based auction	A price based auction is conducted when GOI reissues securities issued earlier. Bidders quote in terms of price per ₹ 100 of face value of the security (e.g., ₹ 102.00, ₹ 101.00, ₹ 100.00, ₹ 99.00 etc. per ₹ 100) bids are arranged in decending order and the successful bidders are those who have bid at or above the cut-off price. A yield based auction is generally conducted when a new government security is issued. Investors bid in yield terms up to two decimal places (e.g., 8.19 percent, 8.20 percent, etc.). Bids are arranged in ascending order and cut-off yield is arrived at the yield corresponding to the notified amount of the auction. The cut-off yield is taken as a coupon rate of security. Successful bidders are those who have bid at or below the cut-off price.
28.	Primary Dealers	Primary dealers are a group of highly qualified financial firms/ banks who are appointed to play the role of specialist intermediaries in the government security market between the issuer on the one hand and the market on the other to accomplish the objective of meeting the government borrowing needs as cheaply and efficiently as possible.

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29.	Public Account	All moneys other than those included in the Consolidated Fund, received by or on behalf of Government of India, are credited to the Public Account of India [Article 266 (2) of the Constitution of India]. It includes transactions relating to 'debt' other than those included in the Consolidated Fund of India. Public Account transactions are not subject to vote/appropriation by Parliament and the balances are carried forward.
30.	Public Debt Office (PDO)	Public Debt Office of the Reserve Bank of India acts as the registry / depository of Government securities and deals with the issue, interest payment and repayment of principal at maturity
31.	Refinancing/Rollover Risks	The risk associated with the redemption and renewal of government debt.
32.	Repo	Repo is an instrument for borrowing funds by selling securities with an agreement to repurchase the said securities on a mutually agreed future date at an agreed price which includes interest for the fund borrowed.
33.	Reverse Repo	Reverse Repo is lending funds against purchasing securities with an agreement to resell the said securities on a mutually agreed future date at an agreed price which includes interest for the fund lent.
34.	Residual Maturity	The remaining period until maturity date of a security is its residual maturity. For example, a security issued for an original term to maturity of 10 years, after 2 years, will have a residual maturity of 8 years.
35.	Secondary Market	The market in which outstanding securities are traded. This market is different from the primary or initial market where securities are sold for the first time. Secondary market refers to the buying and selling that goes on after the initial public sale of the security.
36.	Special Securities	These are Securities issued by the Government of India to entities like Oil Marketing Companies, Fertilizer Companies, the Food Corporation of India, etc. as compensation to these companies in lieu of cash subsidies, with a spread of about 20-25 basis points over the yield of the dated securities of comparable maturity.
37.	Stress Test	A method of risk analysis in which simulations are used to estimate the impact of worst case situations.

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38.	Target Balance	The minimum balance which should be kept in the Government

		account with the Central Bank on a given date.
39.	Treasury Bills (T-bills)	Treasury bills or T-bills are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day. Treasury bills are zero coupon securities and pay no interest.
40.	Treasury Single Account (TSA)	TSA (Treasury Single Account) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The principle of unity follows from the fungibility of all cash irrespective of its end use.
41.	Underwriting	The arrangement by which investment bankers undertake to acquire any unsubscribed portion of a primary issuance of a security.
42.	Ways and Means Advance (WMA)	Advances to the Government made by the central bank. These are made when necessary, if Government expenditure runs in advance of receipts from taxation plus receipts from borrowings.
43.	Weighted Average Price/ Yield	It is the weighted average mean of the price/yield where weight being the amount used at that price/yield.
44.	Yield	The annual percentage rate of return earned on a security. Yield is a function of a security's purchase price and coupon interest rate.