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Safe Deposit Box: safety boxes of different sizes installed in a special room in a bank, and rented to the customers for the safekeeping of valuables whose contents are not known to the bank and can not be accessed by anyone.

Safe Deposit Services: a service or facility provided by banks and finance companies to their customers, whereby safe deposit boxes in various sizes are rented to them; the relationship between the parties is that of a lessor and lessee; but bank or the company is not supposed to know contents of the safe deposit boxes and are not responsible for any damage due to or theft or loss.

Safe Deposit Vault: is the room in a bank or a company where safe deposit boxes are installed; usually safe deposit vault is constructed with due care and has same security features as cash strong room; entry of customers in safe deposit vault to operate their safe deposit boxes is controlled and recorded; though construction of safe deposit vaults is strong and they are well secured, any loss to valuables kept in boxes due to fire, flood, earthquake or robbery does not make the bank liable for claims.

Safekeeping: is a service offered by banks to their clients to keep their documents or securities safely; for example, when documented securities such as shares, bonds, life insurance policies and deposit receipts are delivered to the bank for safekeeping; bank provides these facilities against a fee or charge; differences between safekeeping and safe deposit services offered by a bank are:

- in safe deposit service, bank does not know the contents of the safe deposit boxes, whereas in safekeeping full details are recorded and a receipt is issued.

- a fee is charged for safekeeping articles whereas rent is charged by the bank for safe deposit boxes.
- for damage or theft of valuables kept in safe deposit boxes bank is not liable, but bank is fully responsible and liable for articles kept for safekeeping.
- Safe keeping is not a service generally offered by a bank whereas safe deposit service is a normal business for a bank.

Sale and Repurchase Agreement: also known as Repo or buyback agreement; in case of the sale of certain items such as commodities and securities, vendor may agree to subsequently repurchase the item at a pre-agreed date and at a pre-agreed price after the lapse of a specified period of time; or financial institutions may engage in sale and repurchase transactions to meet liquidity position and to maximize return on securities on a short term basis.

Sales Expenses: are expenses incurred in sales transaction inclusive of commissions and fees paid salaries of salesmen and costs of samples; sales expenses are not added to the sale price of the item such as packing, cartage, freight, if charged to the customer though incurred by the seller and recovered from the purchaser.

Salvage Value: is also called scrap value; it is the expected price of a fixed asset after it has served its useful life; normally used in determining depreciation expenses.

Saving: to save a part of current income for future use; the act of saving.

Savings: is the amount saved over a period of time, classified as households savings, business or corporate savings, or individual savings; in economics, savings are defined as excess of national income over consumption.

Savings Account: are maintained by or other deposit taking institutions consisting of term deposits of various maturities, or deposits of fixed maturities and interest rates; usually interest bearing accounts in contrast to checking accounts or current accounts that may or may not be interest bearing.

Saving and Loan Association (SLA): are thrift institutions or SLAs. The SLAs in the US are organized and chartered on a local basis with memberships limited to the employees of a single institutions or large corporations; or membership based on occupational groups; SLAs may be limited to collect deposits of members, and grant real estate, leasing or mortgage loans; but SLAs may also provide a range of banking services and are regarded as quasi-banking institutions.

Savings Bank: banks and financial institutions accepting savings deposits from their customers; in some countries these are specialized banks; in Pakistan, all commercial banks, some of the development banks and other financial institutions, and post offices function as savings bank.

Savings Loss Risk: is the possibility of reduction in the nominal value of savings in future owing to interest rate fluctuations; or the real value of savings may decline due to inflation if the rate of inflation is higher than the rate of interest on deposit, or if the rate of return on a savings deposit or a savings certificate or a savings bond is less than the rate of inflation; or when similar avenues of investment with better return are available in the market then return on savings may be relatively lower; it also refers to the risk to which savings are exposed in the event of failure or bankruptcy of a deposit institution.

Savings Rate Ceilings: is an upper limit, or a maximum level of interest rate stipulated by the central bank on savings deposits, saving certificates, or savings bonds to control the general increase in the interest rate; an interest rate ceiling, however, may be counterproductive and may not be sustainable if the market interest rate is higher than the ceiling.

Scarcity Price: is an economic term denoting the scarcity value of an item based mainly on supply and demand conditions in the market at a given point in time; a price reflecting the optimal use value of the item as determined by market conditions.

Screening of the Loan Request: a preliminary scrutiny of a loan application by a lending bank; however before a credit decision is made, this screening is followed by a more thorough evaluation of the loan application where facts and figures concerning the loan request are checked and verified, financial statements are analyzed, queries are made about unclear or insufficient information given in the loan application, and additional information may be requested prior to the loan approval.

Seasonal Line of Credit: is a credit line approved by banks to cover short term credit needs of their clients, arising from seasonal cycle of their business activities; this may require banks to pre-arrange sufficient amount of loanable funds to cover the seasonal draw downs by their borrowers.

Seasonal Loan Demand: is the demand for short term credit based on seasonal cycles of business activity and financing needs.

Secondary Market: is the market for financial assets or securities markets where existing or outstanding securities, stocks, bonds and other financial assets are resold after the original issue is subscribed or sold out mostly to institutional investors; for example, stock exchanges, bond markets, over the counter markets (OTC) for securities and debt instruments.

Secure Obligation: is an obligation covered by a proper security or a guarantee.

Secured Credit (loan): is a credit or loan covered by a tangible security so that in case of non-payment by the borrower, security could be disposed off or sold and remaining balance of the loan may be adjusted from the sale proceeds.

Secured Guarantee: is a guarantee covered with a security as against a guarantee issued without any security; also, a guarantee which is sure to be paid in case of a claim; for example, a bank guarantee as against a guarantee that may not be paid.

Secured Real Estate Loan: a mortgage loan secured by a property or real estate as collateral encumbered on the title or ownership, typically not exceeding 70 or 80 percent of the market value or assessed value of the property with seniority of mortgage loan against any claims on the property that may arise later on in the event of a foreclosure pursuant to a default by the borrower on a separate loan.

Security (banking): in banking business, security is also called ***collateral***, and consists of assets, property, deposits or valuables pledged as guarantee to obtain a credit or a loan. *(see Collateral)*

Security Account: is an account recording security deposit placed with a company such as a utility company or one awarding a contract, against fulfillment of the terms and conditions of an agreement or for satisfactory completion of contract.

Security for a Debt: is a tangible security obtained to cover a debt; it could be real assets, plant and machinery, stock in trade; or financial securities if pledged to secure a loan, such as shares, bonds, certificates of deposits, life insurance policies, cash or bank deposits.

Security Deposit: is cash amount tendered by a party as an assurance to the other party to guarantee performance or to fulfill obligations under a contract; in case of nonperformance whole or part of the deposit is forfeited.

Securities (finance): in finance, a security is a financial asset such as a preferred stock or common stock, shares, bonds, commercial or treasury bills constituting portfolio investment; the counterpart of the security is the financial instrument to the issuer of stocks, bonds or bills to obtain medium long term debt or equity finance for an investment undertaking or capitalization; also security may be short term financing instrument for working capital and other financing needs.

Securities Loan: is a loan obtained from a bank by pledging securities as a collateral to cover financial needs or to buy stocks or bonds; a line of credit offered by brokerage houses against securities held in an investor's account.

Securities, Margin Accounts: are investor accounts with brokerage houses and securities market dealers, providing a credit facility to purchase securities, if own-funds are insufficient to cover investment costs; a type of overdraft secured by stocks and bonds purchased, but without stated maturity, or time-bound repayment requirements as long as the market value of securities sustains; if market value drops by one third, the brokerage house may call back the margin loan, or may ask for fresh deposits to cover the gap between the market value of securities tendered as collateral and the margin loan.

Securities, Margin Loan: are loans extended by brokerage houses to investors registered with them to cover margin purchases of securities and secured by the stocks and bonds thus purchased and investor's guarantee to cover the loan in case the market value of securities tendered as collateral falls below the loan amount.

Securities, Margin Requirements: is a regulatory safeguard stipulating the proportion of the market value of a security that can be tendered as a collateral to obtain a loan for securities transaction to prevent speculative purchases by investors on credit; its impact is to have investors commit a substantial amount of investment in securities from their own funds; on investors accounts with brokerage houses, margin requirements are stipulated on the total amount of holdings at a given time.

Securities Market: is a market for stocks, bonds and other securities, composed of buyers and sellers of securities, and market makers who may conduct their transactions at a stock exchange, or over the counter market, OTC, not necessarily tied to a specific location or specific place; generally, the original issuers of securities are corporations, governments or other institutions, and purchasers are investors who may be individuals, businesses or financial institutions; subsequent trading of securities is however, conducted at the stock exchanges, trading houses, and OTC markets.

- ***Primary Market:*** consists of institutional investors, financial intermediaries, underwriters, and investment banks for the issue of a new security; afterwards, these buyers of a new security in the primary market may offer it for resale to the general public and to the investors in the secondary market. For example, in debt markets the public issue of corporate bonds or debentures is primarily purchased by the investment banks, the underwriters, and then resold to the public in the secondary market, mainly over the counter market (OTC); likewise, a new issue of treasury bills and government bonds is sold first to primary dealers registered with central bank, mostly banks and other financial institutions; in equities market, whether it involves floating a new issue of stocks or an initial public offering, the primary sale is to the underwriters or to broker-dealer firms, and then resale to the general public or investors in the secondary market.
- ***Secondary Market:*** are markets for outstanding securities, stocks, bonds and other financial assets for trading by a variety of investors, or markets where institutional investors who initially bought the new issue from underwriters sell it to the public; the principal secondary market for securities is the stock exchange, over the counter market, and the network of dealers, brokers, clearing agents, market makers and individual buyers and sellers; for example, a marketable debt instrument, such as a bond is resold to new investor after the original issue is purchased by the institutional investors; such a resale may be made directly or through an intermediary.

Securities Markets, Dealer Abuse: major types of dealer abuse are insider trading ahead of sensitive announcements known only to insiders which are likely to affect the market price of the security; false trade reports creating an impression contrary to the market behavior; false market positions at artificially depressed or inflated prices; backing off or not executing order or refuse to deal in a timely fashion, specially in volatile market conditions.

Securities Markets, Facilities: consist of facilities for listing, dealing and trading in various types of securities; securities depository and registration; payments, clearing and settlement facilities; ratings and standards; quotes and information; and financial services; these core facilities are supplemented by a network of brokers, traders, intermediaries; operating under a legal and regulatory framework, self regulation arrangements, together with monitoring and compliance mechanisms.

Securities Markets, Functions: the core function of securities market is intermediation between debt and equity finance needs of the borrowers, such as companies, businesses, and government, and opportunities for decent returns on securities portfolio of investors; the process of intermediation reconciles these

needs; for example, the borrowers in the securities markets usually need large amounts of capital, beyond the capacity of a single investor, relying small household savings, or even beyond the capacity of institutional investors; further, the borrowers need long term debt or equity finance, whereas investors may not wish to lock-in for long term commitments and may wish to maintain reasonable liquidity; borrowers would like to minimize the cost of capital while investors want to maximize their returns; securities market bridge this gap through intermediation between the two parties.

Securities Markets, Laws and Regulations: are laws, rules and regulations concerning issue and listing of securities such as stocks, shares, bonds, or bills and routine operations of securities markets and stock exchanges; rules and regulations governing transactions and activities of brokers, dealers, and OTC market operators; this legal infrastructure is established to regulate, control and monitor activities of issuers, buyers and sellers and brokers in the secondary market.

Securities Market Makers: at stock exchanges market makers are broker-dealers, as member firms of stock exchange who are designated by the stock exchange to trade on the floor with other brokers and dealers, also called floor brokers or floor dealers; in OTC markets, dealers are market makers, trading and executing buy and sell orders for brokers who may be trading on their own behalf or on behalf of investors and clients.

Securities, Market Price: is the price of a security set by market makers in response to market conditions, while investor is a price taker; market prices operative in securities transactions are:

- ***bid Price*** is the price a dealer is willing to pay for a security and thus bid price is the sale price for an investor.
- ***asked Price*** is the price a dealer is willing to accept for a security and thus it is the purchase price for an investor
- ***price spread*** is the difference between bid and asked price of a security.

Securities Market Regulators: consist of government agencies and departments and their officials, oversight and regulatory bodies for securities markets such as securities and exchange commissions, responsible for enacting and enforcing the laws, rules and regulations governing operations of securities markets, investment banks, dealers, brokers and agents, depositories, and payments and clearing institutions.

Securities Market Trading:

- ***Day Order:*** is an instruction by investor to complete the trade by the close of the market on the day the order reaches the broker, and does not specify a price; usually in case of trading shares of an investment trust or unit trust whose net asset value, or the price of share is declared only at the close of the day.
- ***Limit Order:*** is the instruction from an investor to the broker to buy for no more, or to sell for no less than the specified price; if the limit price is not met, the order is not executed, or if the size of the order is large it may not be executed in one round lot, usually of 100 shares.
- ***Market Order:*** is the instruction by the investor to a broker to buy or sell a security at the best price available when the order reaches the market maker in OTC markets or the trading floor of the stock exchange; market order assures a prompt trading transaction but does not guarantee a specific price. In case of buy orders, the order is filled at the lowest price the sellers are asking at the time order reaches the market; in case of sale orders, the order is filled at the highest price available at the time the order reaches the market.
- ***Stop Order:*** is an order to transact if the market price reaches the stop price specified by the investor to the broker; at that point a stop order becomes a market order and will be executed at the next available price which may be higher or lower than the stop price; adopted by investors in volatile and rapidly changing market conditions.

Securities Market Trading Rules: are a set of rules that are binding upon dealers and brokers or the market makers as part of self regulation. These are:

- ***Best Execution:*** is an assurance to the investor that in conducting a trade, the broker will execute the order as intended by the investor, linking buy and sell orders with the most competitive bid or offer price available, listing the commission charged separately.
- ***Contract Notes:*** are the evidence of deals carried out on behalf of the investors logging the time it was conducted according to the instructions of the order.
- ***Front Running:*** is prohibited by rules; occurs when a large order is likely to affect the market price of a security, the broker may take a market position in that security prior to executing the order, then conducting a trade for his own position thus benefiting from price change.
- ***Trade Publication:*** trades are published for orders involving no risk especially if conducted through computerized on-line services, thus ensuring the investor that the order was dealt at a reasonable price; in case where dealer or broker or market maker may have to assume a risk position, publication may be delayed during the trading day.

- ***Trade Reporting:*** is a requirement that all trade be promptly reported to the exchange so that exchange is able to compare dealing price and stock size of the order with previous deals and quotations, and to ensure that trade bas been carried out at the best price available.
- ***Securities Sold under Repurchase Agreements:*** are securities sold with an agreement by the original seller to repurchase them subsequently at a fixed rate and on a specified date; this is different from trading in securities in stock exchanges where transactions are not based on repurchase agreement and prices are not fixed and may fluctuate as per market conditions.

Securitisation: is a modern banking process; involves conversion of bank loans and other assets into marketable securities for sale to investors to diversify banking risks and to enhance its financial leverage; the process of obtaining security against a credit or a bank transaction such as issue of guarantee.

Segmentation: organizational, functional or operational separation of a category of activities into constituent parts or segments; for example, lending activities may be divided up as commercial lending to private business by commercial banks; lending to enterprise by specialized financial institutions; investment lending by investment banks; each of the segment thus operates within a specialized framework, terms and conditions, stipulated for that segment only, and cross-over is either not allowed or too costly to undertake; segmentation is typical of interventionist or repressed financial system.

Segmentation of Markets: may occur by fiat or through market processes, resulting in cartelisation of markets, where the terms of transactions are different facing a client for the same or similar types of products and services.

Segmentation of Financial Markets: is a feature of new or emerging financial markets where terms of transactions in certain types of financial instruments and securities is differentiated by categories of market participants or market segments; however, in mature and well functioning financial markets, segmentation may still occur through the unregulated activities of market intermediaries, or through hybrid financial instruments.

Segmentation of Banking System: in a banking system segmentation may occur if banking laws, rules and regulations confine intermediation activities of the banks to well defined sectors or types of clients; or stipulate terms of banking transactions in such a fashion as to prevent banks in providing a range of banking services; such a segmentation is typical of repressed banking systems preventing growth of the financial system and financial deepening over the long term.

Seignorage: is the power of the sovereign to create money by issuing currency and coins, and thus obtain command of resources at its disposal; in the old days, seignorage involved issuing coins whose face value was higher than their intrinsic value based on the content of the gold or silver in the coin; in modern times, seignorage is the power of the governments to acquire financial and real resources through the issue of currency if its *face value* is less than its real value if not adequately backed by reserves and if in excess of increase in production, employment and economic activity, thus leading to inflation and consequent decline in the real value of the currency, and hence in the real value of money, thereby creating a value differential accruing to the government; currently, in times of increasing financial globalization, seignorage is accruing to those few countries, whose currencies are strong and fully convertible; are being widely used for international payments and settlements; are being kept by central banks as preferred currency of their foreign exchange reserves; and are regularly sought after by the public at large for international liquidity and transactions, or safeguards.

Self-Finance: is a scheme of financing, where funds borrowed for a project or a business venture are utilized in such a way that they generate enough income to pay off the debt incurred without recourse to additional funds; also, to make funds available from own sources to pay off a debt or an expenditure.

Self-Financed Investment: is an investment where the investor provides investment finance from own sources without seeking loan funds from banks, or without access to securities market; for example, proprietorship or partnership, though mostly small or a medium size business or an enterprise; self-financing, however is not a viable option in cases where large amount of investment funds are needed for medium to long term.

Self-Liquidating Loan: is a loan utilized in such a way that from its returns or earnings it pays off itself; for example, a loan advanced to purchase a car which may be used as a taxi, and its earnings are utilized towards repayments of the loan; or loans advanced as working capital.

Self-Regulation, Banks: is a system of regulatory controls adopted by banks themselves to regulate their activities in accordance with the laws, banking principles and policies of the bank, as against directives and regulations which are imposed by the central bank, such as prudential regulations for commercial banks issued by the State Bank of Pakistan; self-regulation is generally conducted through a system of internal audit and inspection where banks' transactions are checked and audited on a daily or periodic basis.

Self Regulation, Securities Market: are rules, regulations, directives and procedures enacted by stock exchanges to govern their market operations, binding on members of the stock exchanges and dealers, brokers and market makers.

Sell Participation in Credit: if commercial banks are given credit ceilings of fixed amounts up to which they may lend, a bank may sell a part of the unutilized portion of its credit ceiling to another bank at a cost; also, in case of a large credit, if a bank has done the marketing, completed all the ground work and processed the loan, the bank may agree to the participation of other lending banks for a fee.

Senior Bank Executives: are senior officers of a bank who are of a higher rank and placed at senior positions; normally senior executives are in-charge of divisions in the central office, zonal office, area office or provincial head quarters of a bank.

Senior Capital: consists of preferred stocks or other equity contributions of the shareholders specified as senior capital having a prior claim on assets, dividends, or profits of a business over common stocks or other types of equity held by all investors; however, debt obligations and repayments due on those debts have priority of claims ahead of senior capital items; for example, interest on bonds is repaid ahead of any dividend payments even to preferred stock holders.

Senior Credit Officer: is an officer of a bank posted in the credit department responsible for major credit decisions or credit division of the central office, regional office or the zonal office.

Senior Debt: is a debt which has a priority over other debts of a borrower in repayment; in the case of liquidation and foreclosure, senior debts are repaid before any payments is made to other claimants of the defaulted borrower, or before other obligations are settled.

Senior Lien: is priority of a lender's lien on a security given as a cover for a loan; for example in case a company has borrowed from many banks against a single security of high value, and all the lending banks have been given lien on the same security, the senior lien is given to the first lending bank, and other liens are subordinated to the first lien.

Serial Loan: is a credit line approved by a bank for a number of loans, usually for the same purpose and against the same security.

Service Charges: are fees charged for services rendered; fees charged by banks for maintaining chequing accounts of their customers; usually such charges are recoverable from un remunerative accounts, that is, where the average balance in the account is small and unremunerative for the bank in relation to the costs incurred in maintaining such account; also termed as incidental charges and are recovered on a six monthly or annual basis.

Services to Depositors: are services provided by banks to their depositors such as clearing and collection of cheques and other instruments, carrying out their operational and standing instructions, transfer and placement of funds, periodic payments on behalf of their customers to designated beneficiaries; bill payment for services rendered to customers by other entities

Settlement Date: in business transactions it is the date when the transaction is completed; in finance the date of payment, retirement, redemption or satisfaction of a claim or a debt; in case of time deposits and certificates of deposits, it is the maturity date when the capital amount plus any profit or interest accrued is payable; in securities market transactions the date on which an executed order must be settled, that is, the securities are delivered against payment.

Settlement for Transactions: is the satisfaction of the basic elements of a business deal, or arrangements to finalize a business transaction; for example, in sale of goods the payment of costs together with any commissions or discounts as per merchandise specification, mode of payment and delivery arrangements.

Settlement of Debt Obligations: is to satisfy a debt obligation by full payment of dues outstanding on a debt to the satisfaction of a lender; or a debt write-off by the creditor; or restructuring debt payments due into a new loan; or pledging assets in addition to the collateral originally tendered for the debt.

Settlement Risk: is a risk associated with the inadequacy or inefficiency of the payment and settlement system thereby blocking liquidity and causing losses to the recipient of the payment; a loss inherent in a monetary transaction which is to be settled at a later date, such as in foreign exchange transactions if the foreign exchange markets are volatile; or the risk in discounting of bills and other financial instruments if interest rates are volatile, or if rate of inflation is high, thus eroding the real value of the financial instrument; in all these situations, there are substantial risks of financial loss concerning settlements.

Share Draft: is a document prepared by the promoters of a company where all the details of the share capital, inclusive of number of shares, shares issued, unit price, types of shares and system of subscription are mentioned.

Share Holder: is a part owner of a company depending on the proportionate number and value of shares held relative to the total number and value of shares outstanding; common shareholders of a company have a proportionate claim on the company's assets and dividends, and likewise have voting rights proportionate to their shareholdings.

Share Loan: is a loan obtained by the shareholder of a company by pledging the shares as collateral.

Share Repurchase Program: is a decision of a company to repurchase its own shares from the stock market to reduce the number of shares held by outsiders to ward off a takeover threat, or to prevent a decrease in the share prices.

Shared Profits: are profits which are to be shared; for example, profits earned by a business organization other than a sole proprietorship such as partnerships and limited companies, where profits are shared by partners or shareholders.

Shareholders' Report: is a report prepared by the Board of Directors of a limited company, and presented to the shareholders in the company's annual general meeting, along with the financial statements for the year; also called Directors' Report containing information about the company's operations and performance during the last year, profits earned and its appropriations, its achievements and setbacks, and an overview of the company's plans and prospects.

Short Term: in banking and finance, a short term period is usually interpreted as less than one year; but it is specified separately for each type of financial transaction, or the financial instrument, or the type of financing activity.

Short Term Bank Credit: is a bank credit of short term maturity; a loan payable within one year; loan of maturities ranging from a few days to a year, depending on the type of loan, the collateral and borrowing arrangements; consists of the following; *(see Banker's Acceptances, Discounts and Rediscounts, Cash Credit, Letters of Credit, L/Cs, Overdraft, Trade Financing credit, Working Capital Credit.)*

Short Term Deposit Rates: are rates of interest on short term bank deposits such as term deposits, savings deposits, certificates of deposits, or notice deposits maturing within one year; also interest rates on other deposit accounts and certificates issued by the government, its agencies or other financial institutions and payable within one year.

Short Term Liquidity: is availability of cash to pay off debts and other liabilities falling due within a short term, but not later than one year; managing short term liquidity is an important function of the fund managers because a liquidity shortage could cause serious losses and may jeopardize solvency of a weak company or a weak bank.

Short Term Loan: is a loan of a less than a year maturity, such as revolving credit, an overdraft; an installment loan, or short term loan for liquidity or working capital needs; a consumer loan, a credit card charge due for repayment within a month. *(see Short Term Credit)*

Short Term Papers: are short term financial instruments of less than a year maturity widely used in trade financing; these also include papers or notes, bank drafts, bills of exchange, promissory notes or treasury bills.

Short Term Liquidity Ratio: is a measure of the ability of a business or a bank to meet its current liabilities and obligations from its current assets; calculated by dividing total current liabilities of the business with its total current assets, where current assets are defined to include only those assets which will be liquidated within one year.

Simple Interest: is interest earned on the principal amount over a period of time, but without compounding the interest earned in the intervening periods; for example, if Rs 100 is borrowed for a year at 10 per cent rate of interest, the simple interest due at the end of the year is Rs 10; but if the interest is compounded quarterly and is unpaid, then the total interest payment due at the end of the year is Rs 10.38, slightly higher than simple interest. *(see Compound Interest)*

Side Agreement (financial): is an addendum or an addition to an agreement executed between two parties stipulating additional terms and conditions or modifying original terms and conditions of a financial transaction; usually done in case of multiparty agreements to provide added security or to strengthen performance clause of the agreement.

Sight Draft: is a bank draft or a bill of exchange payable on presentation; in trade financing, a draft presented by the seller or the exporter for payment at sight, or on completion of all document required for payment.

Signature Loan: is a short term loan extended to a bank client on the strength of client's previous record or networth known to the bank, simply on the basis of a personal guarantee or undertaking signed by the client; a liquidity loan, or a bridge loan; or a deposit based loan without invoking formal deposit guarantee; thus, it is essentially an unsecured loan.

Simultaneous Withdrawal of Deposits: is a run on the bank; demand of the depositors of a bank to withdraw their deposits from the bank, at the same time; this can happen when public loses its confidence in a bank which may lead to its bankruptcy, unless the central bank or any other agency provides help.

Single Customer Credit Limits: is the ceiling on the amount of credit allowed to a single customer by a bank, as against a group credit limit for a group of borrowers; single customer credit limit is important for the lending banker to determine the overall risk associated with a particular borrower and also to conform to certain regulatory requirements.

Single Payment Loan: is a loan to be repaid in one lump sum payment, as against a loan which is repayable in multiple and periodic installments.

Sinking Fund: is a fund where regular periodic payments accumulate for a specific purpose such as a bond sinking fund for redemption of bonds on maturity; in such a fund, periodic deposits of cash and other liquid assets, plus profit is equal to approximately the amount payable for which the fund was created.

Skimming Pricing: is a pricing strategy used when introducing a new product; if its demand is fairly strong and there are no competitors, a high price is set to recover research and development expenses incurred, in addition to the normal profits; but the price may be lowered with increasing competition, or slackening demand.

Small Borrowers: are customers who borrow small amounts; generally in Pakistan, customers who borrow less than Rs. 25,000/- are regarded as small borrowers, though this amount varies in different locations and different situations.

Social Security Systems: provides a safety net through a system of entitlements to the public such as benefits to unemployed, supplemental income support to low income groups, the elderly and the indigent in a society; basic health care; low income housing and food subsidies; basic education and training; in developed countries these social security entitlements constitute a major category of budget expenditures of the government and are financed from tax revenues as well as contributions of the employed labor force to various entitlements funds.

Soft Landing: a complex term to interpret, not commonly encountered in popular financial and economic literature. *Soft landing* is the opposites of *hard landing*; the two are a pair of opposites, characterizing the impact of corrective measures taken by a central bank over the short-run to stabilize the economy both ways; that is, during inflationary or recessionary trends. In the context of macro-financial management, soft landing refers to how smoothly the economy settles down after monetary controls have been applied to counter a variety of destabilizing trends as shown by leading indicators. In the expansionary phase, there are rising inflationary pressures in major sectors and overheating of the economy; increases in input costs; ever tightening labor markets and consequent pressures on wage levels. These pressures may emerge owing in part to untenably low interest rates, thus contributing to expansion of banking credit and liquidity and compromising aggregate money demand balances, encouraging excessive consumer spending. Simultaneously, untenably low interest rates and low cost of margin borrowings may fuel unsound investor expectations, leading to a ballooning of stock market and emergence of speculative bubbles. Such pressures may destabilize exchange rate, or may cause swift reversals in the capital flows, which in turn may and cause major imbalances in foreign trade over a relatively short period. In circumstances like these, particularly if there are fragilities in an over-extended or over-exposed banking system, if the central bank were to raise interest rates or tighten liquidity and credit controls, in doing so it must maintain a delicate balance in twisting these levers of controls that will cause a cooling down of the economy or an easing up of inflationary pressures and thus achieve a *soft lending*. These steps may even cause a mild but temporary recession easily confirmed by leading indicators. If in the process, application of monetary controls turns out to be too harsh, they may not stop simply at rectifying the economic imbalances that prompted monetary actions to begin with; or if the authorities overshoot the targeted macro-financial balances through higher interest rates in situations like above, it may result in a jolting economic down turn, a recession deeper than anticipated with potential for deflation. This may shake investor's confidence to the point where it may cause a reversal of stock investment trends, leading to sharp stock market correction, if not a crash, causing widespread losses to investors. If this happen, it is a *hard landing*, an unintended outcome of corrective actions, causing economic and financial instability of reverse kind that may not be preventable if the destabilizing trends gather momentum of their own. Thus, there are significant limitations on corrective measures that can be taken by a central bank, especially in a deregulated environment with globally linked financial markets, which restrict its degree of freedom, presenting the central bank with monetary policy management dilemma of classic variety; viz, if the monetary authority were to be focused on achieving domestic price and interest rate stability to fine tune the domestic economy, the central bank may not be able to simultaneously maintain exchange rate stability, and thereby stability in capital flows and foreign trade which may derail the efforts at soft lending.

Solvency, financial: a bank or financial institution is considered solvent if its capital base and overall financial strength is sufficiently strong to sustain any losses if they emerge at its current level of operations; its loan portfolio is healthy and reasonably free of nonperforming loans; its asset portfolio is sufficiently diversified and balanced with regard to risk-return characteristics; and its liabilities are manageable from its own asset base. *(see Insolvency)*

Sound Banking: are banking practices based on prudent banking principles and procedures ensuring financial strength and reasonable growth of the banks with a balanced risk structure and profitability profile; this involves maintaining a healthy loan portfolio with minimal loan losses thus ensuring solvency; managing and utilizing banks resources with sustained high returns; avoiding speculative activities and ventures considered too risky on the norms of prudent banking; maintaining its competitive position and offering a full range of banking services to keep a sufficiently diversified client base and to avoid concentration and overexposure; and maintaining public confidence in the financial strength of a banking institution.

Sound Banking System: is a strong and healthy banking system comprising of well managed banks with sufficiently strong capital base, conducting core banking operations within norms of sound banking practices and procedures as outlined above; buttressed by a regulatory system ensuring compliance with prudential guidelines to safeguard against systemic risks; maintaining a strong and healthy asset base largely free of impaired portfolio; avoiding build-up of system-wide defaults, bank insolvencies and bank failures.

Sound Financial Information: is information about financial condition of a bank or a company which is reliable, given with authority and with complete details, usually in the form of statements, accounts, reports and notes.

Sound Liquidity: is a comfortable liquidity position of a bank or a company, which means that its liquid resources are managed in such a way that it can pay its debts when they fall due for payment; and in case of need, its other current assets can be converted into cash without difficulty.

Soundness of a Bank: is a standard to judge the quality and financial strength of a bank, particularly in relation to its ability to meet its short and long term liabilities; other criteria to judge the soundness of a bank are its capital structure and its adequacy, stability of deposits, quality of assets and their proper utilization, earning performance, liquidity, and solvency.

Sources of Cash: are the means and avenues from where cash is received or generated such as turnover in a business, sale of stock in trade, sale of securities or investments, or borrowing for liquidity, or withdrawals from the bank account.

Special Drawing Rights, SDRs: is an accounting unit of the International Monetary Fund and expressed in terms of US dollars per unit of SDR; a composite currency based on a standard basket of currencies, used by the IMF in determining country quotas, purchases and repurchases, standby facilities, and other assistance facilities available to member countries.

Special Purpose Fund: is a fund created for a special purpose such as an asset replacement fund or staff welfare fund.

Special Tax Concession: is a tax exemption or reduced rates of taxes allowed by the government such as enhancing exports, assisting SMEs, encouraging establishment of industries, or development of particular industrial area or zone to boost exports, or to attract foreign investments; these tax concessions may be temporary or for a long term.

Specialized Financial Institutions: are development finance institutions, DFIs, established to provide credit facilities, assistance and advice to the clients in a designated sector or in a designated line of activity; for example, agriculture sector, industrial sector, mining, manufacturing, housing and construction, are sectoral DFIs specializing in financing needs of clients in a sector. Such specialization over time provides a richness of experience, an in-depth knowledge of the sector that is difficult for a client to obtain elsewhere, and complements loan or equity financing needs of the clients. In contrast, some financial institutions may specialize in a line of activity across the sectors such as exports, providing finance, technical advice, representation and business links to exporters in international markets; or concentrate on SME financing across sectors and geographic regions. Such activity-based specialized financial institutions are mostly government owned or sponsored institutions, though a number of privately owned investment banks also specialize in their clientele base and carve out a market niche for their own in a well-defined line of activity. These institutions perform lending function, but may not engage in routine commercial banking activities; are established, organized, and chartered under special legislative acts instead of being chartered as a bank under the banking law; therefore, these specialized institutions are outside the routine supervision and regulatory framework of the central bank.
(see Development Finance Institutions)

Specific Reserves: are appropriations made from retained earnings to create a reserve for a specific purpose; for example, a reserve for asset replacement or retirement of preferred stock.

Speculation (business, finance): are activities based on expectations of a favorable outcome not warranted by underlying fundamentals and in violation of standard norms of business and finance, or well in excess of observed historical trends; for example, speculation about future commodity prices, or stock prices, or exchange rates, or money market rates; or speculation on returns on a variety of investments well beyond those justified by price and earning trends of the companies, industries or lines of activities; or speculation on the growth of a few 'hot' sectors such as technology, real estate, oil and gas exploration; or speculation in derivatives markets or risky options such as those often indulged in by reputable investment and brokerage houses sometimes with disastrous results.

Speculation Risk: is a risk associated with a speculative activity.

Speculative Activities: for a business or a bank, speculative activities consist of undertakings or transactions that carry considerable risk of loss that a prudent management would not routinely undertake; such as speculation on currency rates in foreign exchange markets, or prices of precious metals, or commodity prices known to be volatile; or speculation on stock market trends; since different levels of risks may be associated with a banking or financial activity, how and where normal risks degenerate into speculative risks is based on business practices and procedures, internal rules and guidelines together with well established norms of prudential conduct, sound decision making processes and prudent judgment; for example, while bankers may not indulge in gambling, but they may finance a well run and highly profitable gambling resort with strong cash inflow.

Speculative Boom: is a swift and large growth of economic activities in a particular sector based on speculation; for example, heavy purchases in commodity or stock markets based on price and interest rate expectations, or expectations of substantial foreign investment; heavy investments in real estate sector unwarranted by market conditions and expectations.

Speculative Loans: are loans borrowed and utilized for speculative purposes; while a prudent banker would not normally extend loans for speculative purposes, but a less prudent banker may be tempted to do so in expectation of higher returns; or a borrower may obtain a loan and utilize the borrowed funds to finance speculative ventures, contrary to the purpose for which the loan was originally approved and without banker's knowledge; effectively, then it is a speculative loan.

Speculative Security Transactions: is buying or selling of securities based on speculative motives; or dealing in securities of companies or institutions who themselves are engaged in speculative business.

Split Deposit: is a deposit split into several parts where each part is kept in separate accounts with the same bank or with other banks as deposits of different types or of different maturities; split deposits may be helfpful to spread the risks, or to gain better returns on deposits, and or to better match the availability and uses of funds.

Spot Market: for commodities and currencies, spot markets involve transactions for immediate delivery and immediate payment, usually within 2 days; these are very active markets in times of swiftly rising prices, and help to better adjust in response to expectations of future prices, involving cash transactions with quick turnover; hence also called cash market.

Spot Price: is the price of an item prevailing in the spot markets for a very short time, usually a day, or even shorter, as in the case of currency markets, or commodity markets for very large transactions.

Spread: in banking, it is the percent difference between the rates of interest on amounts advanced to the customers and the cost of those funds; in finance, it is the difference between the yield of securities of same maturities but of different quality, or of the same quality but with different maturities; in foreign exchange, it is the difference between the buying and selling rate of a foreign currency in the spot or forward market.

Stability (economic, financial): is characterized by normal economic and financial trends, with stable prices and interest rates, fostered by healthy and strong fundamentals such as production, employment, turnover, income and profitability; also refers to smoothly functioning markets, largely free of pressures and destabilizing trends. *(see Instability)*

Standard Cost: is a cost factor widely accepted as a benchmark or as a reference, expressed per unit of output to provide companies with actual costs incurred, or to determine cost overrun or cost inefficiency in a line of business activity, or in manufacturing.

Standard of Capital Adequacy: is a predetermined relationship, a ratio, between debt and equity which is deemed to be sufficient for an organization to function with reasonable margin of safety; it varies with different industries, geographical areas, type of organizations; in banking, it refers to the standard or adequate level of capital prescribed by the central bank, which must be maintained at all times by the banks and financial institutions.

Standardization of Financial Statements: is implemented through financial reporting requirements, stipulating standard accounting procedures covering balance sheet and income statements for items like assets, liabilities, equity, income and expenses, to be adhered to by reporting bank or financial institution.

Standby Credit: is a self-reactivating credit line; or a loan given in advance of anticipated needs with sustainable arrangements with regard to collateral, terms and conditions, which a borrower can afford, so that the borrower can draw down funds without additional formalities; a bridging loan available for a specified period and term; a line or credit available for unanticipated liquidity or payment requirements.

Standby Letter of Credit: is a letter of credit that represents an obligation of the issuing bank towards a designated third party, the beneficiary, contingent on the failure of the bank's customer to perform under the terms of a contract with the beneficiary. In effect, it is identical to a performance bond. *(see Letter of Credit)*

Start-up Financing: are finances used to start a business or to purchase assets; mostly own financing by the owners establishing a new company or a new business; this is because loan financing from a bank is rarely available in the start-up phase of a new business, since banks tend to view new ventures cautiously and rarely make loans to newly organized business without adequate collateral or guarantees of sponsors; even if venture capital financing is available to a new business, a bank loan typically serves as a second level of funding; the bank loan then becomes a source of working capital to finance inventory or receivables, whereas the venture capital funding is a source of long-term equity capital. *(see Venture Capital)*

State Bank: generally interpreted it is a state owned banking institutions in full or in part; a bank incorporated with government ownership and funding; a nationalized bank that may originally have been incorporated as a private bank; specialized banking institutions established with state funding.

Stated Value: is the nominal value or the face value stated in a financial instrument, or a security or a bond; the minimum amount an issuer will require as a payment for the financial; instrument or the security.

Statement of Account: is a periodic statement of account position and balances, prepared by the bank for the accounts of its clients; banks prepare this statement and send it to their customers to keep them informed about the status of the account; a document recording the transaction of a business, company or a bank with its customers for a specified period to draw their attention to action needed, such as the payment of outstanding balance on a transaction, unpaid invoices, or to maintain the minimum balance required in the account.

Statement of Equity Account: is an accounting statement prepared by the brokerage houses, investment funds or companies for their client investors, showing the latest holdings in the account, changes over the reporting period, margin loans, if any, and cash balances.

Statutory Fund: are the reserves accumulated in accordance with articles of association or by-laws of a company or under a statutory requirement.

Statutory Minimum Balance: are minimum funds and balances to be maintained by a bank or financial institution in their accounts with the central bank or supervisory agency as per regulations.

Statutory Reserves: is a required minimum reserve balances to be maintained at the central bank by all deposit money banks, expressed as a ratio of various types of deposits; in case these reserves drop below the required minimum in a reporting period for a bank, penalties are assessed against that bank, which may result in substantial interest cost or liquidity costs. (*see Reserve Ratio*)

Sterilization money balances: these are actions taken by a central bank to neutralize monetary impact of rising foreign currency balances held by domestic financial institutions, mainly as a consequence of rapid foreign capital inflows in the form of portfolio investment by foreign investors; the purpose of sterilization in the wake of rapid foreign capital inflows is to prevent undue appreciation of the exchange rate, or control rising domestic liquidity and an increase in monetary aggregates owing to increase in foreign assets of banking system or build up of reserves beyond the level deemed appropriate by central bank; for example, if exchange rate were to appreciate beyond appropriate levels because of rapid capital inflows, it may hurt exports and may lead to enlarged foreign trade deficits; or the rising liquidity and other monetary aggregates may jeopardize domestic price stability and enhance inflationary pressures; for these reasons, sterilization of large money balances may be deemed essential and the central bank may simply place all these money balances in overseas reserve account; but that is an extreme measure negating the very purpose of attracting capital inflows; yet some central banks do just that type of sterilization.

Stock: in case of trading companies, the inventory of merchandise available for sale and trading; in case of shareholders' funds, capital amount or equity funds of a corporation or company; in case of shareholdings the number of shares owned singly or jointly by share-holders.

Stock Certificate: is a document certifying a shareholder's ownership as per value of the shares held; it shows the number of shares owned by an individual, their par value, class of share and voting rights; a certificate confirming that a certain number of shares have been deposited, and thus it facilitates stock market trading.

Stock Dividend: is payment of dividend by a corporation in the form of stock instead of cash, issued free of cost to existing shareholders as a percentage of shares held by them.

Stock Exchange: is the principal stock market institution conducting and facilitating trade in stocks in secondary market, where transactions are conducted by brokers-dealer firms on the floor of stock exchange during trading hours, who are members of stock exchange and licensed for floor trading; also called market makers for stock exchange; these market makers in turn deal with brokers and dealers in securities conducting trade on behalf of their clients, the general public or individual investors; only those stocks are traded that are listed with the stock exchange in compliance with listing and disclosure requirements; and the activities of the stock exchange are regulated and monitored by securities and exchange commission, or designated authorities;

Stock Markets: are markets for listed stocks and shares, comprising of stock exchanges, over the counter markets, a network of dealers, brokers, intermediaries investment funds and investment trusts, and financial institutions; it also consists of facilities of listing, trading and dealing, clearing and settlements, payments, rating and standards, and information services; stock markets facilitate trading of stocks originally issued in the primary market by companies and corporations through their intermediaries to raise equity finance, and resold to investors and the general public in the secondary markets; buttressed by legal and regulatory framework; together with self regulation system and are routinely supervised by regulatory and oversight agencies; since trading in secondary market is in stocks already issued, it involves a transfer of sources of equity finance, freeing up resources of intermediaries to provide funding for issue of new stocks. (see *Securities Market*)

- ***Bull Markets:*** is a period of rising stock prices, reinforcing investor's positive expectations and attitudes towards market trends, and characterized by a sustained increase in the prices of stocks; a sustained upward trend in stock market price indices, attracting new investors, and leading to a substantial increase in portfolio investment, in the networth of invested portfolio, and increase in market capitalization.

- ***Bear Markets:*** is the reverse of the bull markets; a period of falling or stagnant stock prices, characterized by a cautious or negative investor expectations and attitudes about future market trends; may cause a loss of networth and market capitalization, accompanied by a decline in portfolio investment activity, passive or even negative investor attitudes.

Stock Market Collapse: is a substantial and sudden downfall in the prices of stocks across the board, causing a major decline in the networth of stockholders, companies and corporations, and having a major negative impact on investment, income and the economy as a whole; for example, the 1998 crash of stock market in Pakistan, where stock price index fell sharply; or the crash in East Asian countries in 1997 which led to a temporary downturn and before long these economics had largely recovered; this does not mean such market downturns need not be taken seriously; it is just the other way round given huge losses in solvencies and bankruptcies and severe economic dislocations; for example the crash of US stock markets in early 2000 from which US stock market has barely recovered.

Stock Market Index: is the price index of selected stocks showing trends in prices of stocks traded on a stock exchange; for example t KSE index of Karachi Stock Exchange, or SBP General Index of share prices.

Stock Market Risk: primarily the risk that prices of stocks held by investor may decline for a short period or even for extended period, such that investors' returns, consisting of dividends and capital gains will be lower than alternative investments; or in case of a major price decline, investor's capital will be eroded or lost; since stock markets tend to be cyclical, the risk of investors depends on the position and type of exposure taken by investors; generally, when stock prices are rising as in a bull market, investors may become aggressive or even speculative and thus may expose themselves to market volatility; or in times when stock prices are falling, the bear market, investors may hold on to stocks in expectations of a market upturn, thereby incurring further capital loss.

Stock Option: a negotiable instrument which gives holder the right to buy or sell a certain number of the corporation's stocks within a fixed period of time for a specified price.

Stock Payment Cheque: warrants, drafts or any other financial instruments used for payment of dividend or refund of capital to stockholders.

Stop Payment Order: an instruction by drawer of a cheque ordering drawee not to make payment against it; countermanding payment against an instrument.

Straight-line Depreciation: is a method of assessing and charging depreciation against the value of an asset in equal amounts per year over the life of the asset.

Structural Adjustment (economic, financial): refers to changes in the basic economic and financial structure of an economy brought about deliberately, through a wide range of economic and financial policies to redress substantive imbalances in the economy that cannot be rooted out through actions and procedure; thus structural adjustment, is an overhaul, a transformation, a shift in the economic and financial structure, often accompanied by major social changes as well, thereby rearranging the way economic and financial resources are mobilized and the way they are re-deployed or re-allocated involving market-based arrangements, as against discretionary, directed or interventionist arrangements; these changes cause a shift in ownership, invariably reducing the role of the government and enhancing private sector participation; but they may also cause massive disruptions and widespread hardships if not managed properly; or if the social safety net is inadequate; at times these hardships may be so severe that they may lead to major reversals or upheavals, a redistribution of real incomes across economic and social sectors; structural adjustment policies, cause these shifts almost in all cases through their impact on the structure of ownership, on the structure of prices of products and inputs, on the fiscal structure of public revenues and expenditures, on the structure of banking credit and interest rates, and on the structure of charges and tariffs on utilities and infrastructure; in Pakistan, such structural shifts occurred at the time of nationalization movement in 1970s and subsequently their reversal that began in late 1980s, specially after the start of structural adjustment program in the early 1990s, a process which is still continuing.

Structural Reforms (economic): are brought about by a major shift in economic policy regime, incentives structure, and rules and regulations; thus impacting on the structure and operations of the productive sectors of the economy, use and allocation of resources, investment activity and employment, together with the functioning of various markets, structure of prices, and market mechanisms; the radical shift in the policy regime is the central element of structural reforms, and involves a broad range of polices such as fiscal policy, pricing policies, monetary policy, foreign exchange and foreign trade policy, privatization policy, and others, aimed at resource pricing and resource use, thereby causing major shift in resource use and resource allocation patterns, aimed at enhancing economic efficiency and thus enabling sustained economic growth.

Structure of Financial Sector: is delineated on the basis of functions and relative asset size of the major components of a financial system such as the central bank, commercial bank and investment banks, specialized financial institutions, quasi-banking institutions such as finance companies and other deposit taking institutions; and nonbank financial institutions such as insurance companies, provident funds, social security funds and investment funds.

Structure of Liabilities: is the composition and characteristic of liabilities and financial obligations of a bank, an institution, or a business entity.

Structure of Capital Stock: is the composition of equity funds or of capital assets of a company by type, size and sources.

Subjective Rating System: is a rating system based on subjective criteria, personal judgment, and opinions concerning performance or quality of item concerned.

Subordinated Debenture: is a debenture bond issued by a company in addition to the existing debt that constitutes a prior claim on the assets of the company; if additional debenture is issued, it is a junior or subordinated debenture.

Subordinated Debt: is a debt junior in claim on assets to some other senior debt obligations and liabilities which constitute prior claim on the assets of the borrower; subordination of debt is created by a subordination agreement under which a creditor acknowledges that his claim is secondary to the claim of other creditors.

Subordinated Interest: is a secondary benefit, secondary access, or a secondary claim in contrast to or a priority interest or a priority claim.

Subscribed Capital: of a bank is the amount of authorized capital called in for subscription by its shareholders; thus subscribed capital is less than authorized capital stipulated at the time bank is chartered and incorporated; if full amount of subscribed capital is required to be paid in by shareholders, then paid-in capital is the same as subscribed capital, otherwise, paid-in capital may be less than the subscribed capital, and is the actual amount of shareholder's equity invested in the bank.

Subscriber: is a person who signs the memorandum of association of a new company and joins the company with other members by paying for a specific number of shares in the company, signing the articles of association and appointing directors of the company; a person who subscribes, or agrees to take up certain number of shares of a company and pays the value of shares acquired.

Subsidiary: is a business company or business entity controlled and owned by a parent company through partial or complete ownership of its voting stock; a company with 50 per cent or more of its outstanding stock owned, directly or indirectly, by another company; a significant subsidiary of a parent company, in which the parent company owns 51 per cent of the equity, or a company that contributes at least 50 per cent of the parent company's gross operating income or 50 per cent of its pre-tax income, or cause a loss of significant proportion.

Subsidiary Bank: is a bank controlled by a parent bank through partial or complete stock ownership or the voting power in the subsidiary bank.

Subsidy: is a financial compensation usually extended by the government to targeted sector, industry, group, institution or organization under specific programs of support to achieve social or economic objectives; different from entitlements such as unemployment benefits or social security benefits.

Subsidized Credit: is a credit provided to the borrower at below market cost, the differential between market cost and actual cost to the borrower is the subsidy extended to the borrower; the major element of credit subsidy is the below market interest rate, together with other terms and condition associated with subsidized credit which lower the cost of borrowing below market levels.

Subsidized Interest Rate: is the interest rate charged to a borrower below the market interest rate for the type of the loan extended; the interest rate differential is the interest rate subsidy, usually provided by the government through specialized financial institutions for priority sector borrowers, such as agriculture, exports and SMEs to support their development.

Subsidized Income: is additional income or earnings paid to employees beyond the market level of wages or salaries for various considerations.

Subsidized Price: is a price lower than the market prices, the difference is covered by financial assistance extended to the sellers by authorities concerned; it is the most common type of subsidy provided to consumers for socio-economic reasons, mainly on food items such as wheat flour and other staples; and also on essentials such as public transport, public health and education; a major pillar of socio-economic policies of a government to redress the existing imbalances in income distribution and wealth.

Subvention: in budgeting, subvention is contingent allocation of funds for specific expenditures; in lending, subvention is placement of ownership rights or access to assets by a borrower secondary to the first claim on collateral for a loan by a lender; this is an additional security tendered by financial week borrowers; whereas for a prime borrower a subvention may suffice without tendering a first collateral to obtain a loan.

Substandard Assets: are assets having inferior value, quality and performance concerning their contribution to revenue or their value in the investment portfolio.

Supplementary Capital: additional equity or additional shareholders' funds contributed to supplement statutory or core capital.
(see Core and Supplementary Capital)

Suppliers' Credit: are extended by companies supplying the items to their buyers; it is usually a short term loan granted to the buyer by a seller on terms and conditions similar to short term loans; these credits facilitate sale on deferred payments basis, the balance unpaid is formally registered as a loan obligation with stipulated rate of interest and a repayment period.

Suspending Accrual of Interest: is to stop or abandon recording of accrued interest in income account; this suspension is a major step taken by a bank to acknowledge loan loss and nonperformance or a default by its borrowers.

Suspension of Interest: on nonperforming assets is to stop or to discontinue charging of interest on outstanding loans which have been classified as a bad loan with substantial over dues of interest or principal payments.

Swap: is a derivative in the form of a contract, or a similar financial instrument, stipulating an agreement to exchange the return generated by one instrument for the return generated by another instrument, without exchanging the underlying principal amount, called notional principal; swaps are essentially hedging instruments based on hedger's expectations and are entered into on a net basis in the sense that the two return streams are netted out in a cash settlement on the payment date in case of a single payment, or several payment dates as specified in the swap instrument; common types of swaps are interest rate swaps, total return swaps, or currency swaps; and swap pricing is based on the term structure of interest rates, spread and transaction costs, credit risk and currency risk; but there are no front end fees or front-end charges in swap transactions; since swaps do not exchange the underlying principal amount, nor do they involve delivery of securities or assets, therefore the risk of loss is limited to the net amount of swap payments, that is, net interest or net returns that a counterparty is obligated to pay to the investor.

SWIFT: (Society for Worldwide Interbank Financial Telecommunication).
A non-profit co-operative organization which operates a global electronic messaging system concerning international financial transactions to facilitate payments internationally; is used by both bank and nonbank financial institutions and securities brokerage houses, dealers, securities clearing and depository institutions and recognized securities exchanges. *(see Payment System)*

Swiss Interbank Clearing (SIC): is a centralized gross settlement system to process interbank transactions and payments through the payments accounts of participating banks maintained with the Swiss National Bank; a computerized system where each payment is recorded as final and funds are released only after the covering funds arrive at the Swiss National Bank thus pre-empting the need for daylight overdraft.

Syndication: is an arrangement to establish a temporary association of the parties or institutions concerned for financing or undertaking of a business activity or execution of specific project.

Syndication Agreement: is an agreement among a group of bankers to arrange a large loan for borrowers, designating a lead bank for the management of the loan, and specifying the terms and conditions of the loan, fees and charges, together with a non preference clause treating the loan portion contributed by each bank at par with regard to loan servicing and claim on the collateral.

Syndication Fee: is the service charge, honorarium, or compensation for services rendered by the lead institution in syndication.

Syndicated Loan: is a large loan jointly provided by a number of banks under a syndication agreement if the size of loan is beyond lending capacity or lending limit of a bank.

Systemic Risk: for a banking system it is the potential risk that failure of a bank may trigger insolvency or failure of other banks if the bank is too big and is dominant institution in the banking system; or if there is a system wide financial weakness with regard to capital adequacy; or if a number of banks have unmanageably large, nonperforming assets; or if the size of impaired portfolio is substantial in the assets held by the banking system; or if the regulatory framework and the safety net is too weak to cope with a system-wide banking crises; systematic risks emerge after a prolonged period of mismanagement by the banks at the unit level, and a neglect on the part of the regulatory authority to redress the underlying weaknesses of the financial institutions concerned.