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# TARGET IBPS PO 2018

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4<sup>th</sup> September to 12<sup>th</sup> October 2018

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**Adjustable-Rate Mortgages (ARMS):** An adjustable-rate mortgage (ARM) is a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. Normally, the initial interest rate is fixed for a period of time, after which it changes over the life of the loan as market conditions change. There is typically a maximum (or ceiling) and a minimum (or floor) defined in the loan agreement. If interest rates rise, so does the loan payment. If interest rates fall, the loan payment may as well.

**Arbitrage:** Buying a financial instrument in one market in order to sell the same instrument at a higher price in another market.

**Automated Clearing House (ACH):** A computerized facility used by member depository institutions to electronically combine, sort, and distribute inter-bank credits and debits. ACHs process electronic transfers of government securities and provided customer services, such as direct deposit of customers' salaries and government benefit payments (i.e., social security, welfare, and veterans' entitlements), and preauthorized transfers.



**Bank Ombudsman:** Bank Ombudsman is the authority to look into complaints against Banks in the main areas of collection of cheque / bills, issue of demand drafts, non-adherence to prescribed hours of working, failure to honour guarantee / letter of credit commitments, operations in deposit accounts and also in the areas of loans and advances where banks flout directions / instructions of RBI. This Scheme was announced in 1995 and is functioning with new guidelines from 2007. This scheme covers all scheduled banks, the RRBs and co-operative banks.

**Bancassurance:** Bancassurance refers to the distribution of insurance products and the insurance policies of insurance companies which may be life policies or non-life policies like home insurance - car insurance, medi-policies and others, by banks as corporate agents through their branches located in different parts of the country by charging a fee.

**Bitcoin:** Bitcoin is a virtual currency/ cryptocurrency and a payment system. It can be defined as decentralized means of tracking and assigning wealth or economy, it is a software protocol. Bitcoin uses two cryptographic keys, one public (username) and one private (password) are generated.



**Brick & Mortar Banking:** Brick and Mortar Banking refers to traditional system of banking done only in a fixed branch premises made of brick and mortar. Now there are banking channels like ATM, Internet Banking, tele banking etc.

**Bank Rate:** It is the rate of interest charged by a central bank to commercial banks on the advances and the loans it extends.

**Base rate:** It is the rate of interest on which banks base their lending rates. Usually loans are given at a rate higher than the base rates and saving rate is below the base rate

**Basis Point:** One-hundredth of 1% point normally used for indicating cost of finance. A measure normally used in the statement of interest rate e.g., a change from 5.75% to 5.90% is a change of 15 basis points.

**Bid Price:** The highest price offered by a dealer to purchase a given security.

**Bid-ask Spread:** The difference between a dealers's bid and ask price.





**Blue Chips:** Blue chips are unsurpassed in quality and have a long and stable record of earnings and dividends. They are issued by large and well-established firms that have impeccable financial credentials.

**Call Option:** The right to buy the underlying securities at a specified exercise price on or before a specified expiration date.

**Callable Bonds:** Bonds that give the issuer the right to redeem the bonds before their stated maturity.

**Core Banking Solutions (CBS):** In this all the branches of the bank are connected together and the customer can access his/her funds or transactions from any other branch.

**Cheque Truncation:** Cheque truncation truncates or stops the flow of cheques through the banking system. Generally truncation takes place at the collecting branch, which sends the electronic image of the cheques to the paying branch through the clearing house and stores the paper cheques with it.



**Derivative Instrument:** Financial instrument whose value depends on the value of another asset.

**Derivative Call (Put) Warrants:** Warrants issued by a third party which grant the holder the right to buy (sell) the shares of a listed company at a specified price.

**Demat Account:** Demat Account concept has revolutionized the capital market of India. When a depository company takes paper shares from an investor and converts them in electronic form through the concerned company, it is called Dematerialization of Shares. These converted Share Certificates in Electronic form are kept in a Demat Account by the Depository Company, like a bank keeps money in a deposit account. Investor can withdraw the shares or purchase more shares through this Demat Account.

**Endorsement:** When a Negotiable Instrument contains, on the back of the instrument an endorsement, signed by the holder or payee of an order instrument, transferring the title to the other person, it is called endorsement.

**Equity Call Warrants:** Warrants issued by a company which give the holder the right to acquire new shares in that company at a specified price and for a specified period of time.



**Green Banking:** Green banking means promoting environmentally friendly practices and reducing your carbon footprints from your banking activities. Green banking aims at improving the operations and technology along with making the clients habits environment-friendly in the banking business. It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment.

**Hedge:** A combination of two or more securities into a single investment position for the purpose of reducing or eliminating risk.

**Index Fund:** A mutual fund that holds shares in proportion to their representation in a market index, such as the S&P 500.

**Initial Public Offering (IPO):** It is the time when a company makes the first offering of the shares to the public.

**Junk Bond:** High-risk securities that have received low ratings (i.e. Standard & Poor's BBB rating or below; or Moody's BBB rating or below) and as such, produce high yields, so long as they do not go into default.







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