

## **Banking & Financial Systems**

### **Chapter 3: Business of Banking—Glossary**

**account inquiry fee.** A fee charged to check an account balance at an ATM.

**acquisition.** Occurs when one company buys another company and sets itself up as the new owner.

**asset.** Something owned by an individual or other entity.

**beneficiary.** The individual who receives financial protection from an insurance policy.

**Credit CARD Act.** Protected consumers from unfair and deceptive credit card practices and gave cardholders additional rights; enacted in 2009.

**estate.** The property and possessions of an individual, which may include property, cars, money, or other assets.

**estate planning.** Preparing for the transfer of assets after a client's death.

**gain.** An increase in income that occurs when a bank sells a security for more than its purchase price.

**inactivity fee.** A fee charged if a customer does not make a transaction within a specified period.

**insufficient funds fee.** A fee charged by a bank when there is not enough money in an account to cover a transaction.

**insurance.** Provides protection from certain risks that can cause financial loss.

**interest.** A fee charged for borrowing money.

**interest expense.** Money that a bank pays to customers for the use of their money.

**interest rate.** A stated cost for the use of borrowed money that is a percentage paid on top of the initial amount.

**liquidity.** The ability of a financial asset to be quickly converted into cash without any financial loss; having enough cash available to meet normal withdrawals.

**maturity.** The date on which a bond investor can receive the initial investment.

**merger.** When two companies agree to combine.

**money order.** An amount of money that is purchased in an exact amount payable to a specific party.

**operating expense.** Costs incurred to keep a bank in business, such as utilities, rent, and wages.

**overdraft.** A negative balance.

**overdraft program.** Provides funds to cover a check written on an account with insufficient funds.

**pension fund.** Plan that provides retirement income for the employees of a business.

**probate law.** Pertains to settling the financial affairs of a person after he or she has died.

**profit.** When a bank's income exceeds its expenses.

**risk.** The chance that an unfavorable event will happen to a person or property.

**safe deposit box.** An individually secured container usually kept within a bank vault to store valuables.

**stock.** A security that gives the purchaser part ownership in the company, known as equity.

**surcharge.** A fee charged by an ATM when cash is withdrawn, also known as a convenience fee.

**trading.** The buying and selling of securities by a broker.

**treasury and cash management services.** Services offered by banks related to cash management, such as accounting services, capital services, collections services, credit card services, and information services.

**trust.** A legal document that defines a customer's assets and how those assets should be handled.

**trustee.** The person or institution that controls financial assets for the customer.

**underwriting.** When lenders analyze risks and set conditions on the loan.

**underwriting spread.** The difference between the price paid by the investment bank and the price sold to the public.