

MARKET TERMINOLOGY AND DEFINITIONS

FOREIGN CURRENCY AND DEPOSIT MARKET

In all cases, the currency/currencies being dealt in should be clearly specified.

In cases which will be obvious, the terms may be used in relation to lending and borrowing as well as to selling and buying.

Spot :

Settlement two working or business days from today; (exceptions to the general rule may occur by mutual agreement among the counterparties). In Saudi Riyals the US Dollar spot date normally applies.

Value today :

Same day value.

Value tomorrow :

Value the next working or business day.

Swap :

The simultaneous purchase and sale of identical amounts of a currency, for different value dates.

Forward :

All deals extending over more than two working or business days from today, fixed at the time of dealing.

Where the forward date falls on a non-trading day, the maturity is the following working day.

Where the deal is arranged on a day for which the spot value date occurs on the last working day of the month, the forward date is the last working day of the appropriate month in the future.

"Shorts" short dates :

All deals for a broken number of days normally up to one week.

Straight Dates :

The words 'straight date', 'even dates', 'regular dates', 'normal run' and 'spot run' refer to deposit or forward maturities on the same date of months falling after the value date of the commencement of such deals, or the first possible working day thereafter. However, where the commencement date of such deals falls on the last working day of the month, maturity dates should similarly fall on the last working day of the appropriate future month. This is known as the 'end/end' run.

'Broken dates', 'cock dates', 'long three's', 'short three's' all refer to maturities other than the above.

Overnight-Today/Tomorrow :

A currency deposit transaction or the simultaneous purchase and sale of currency, or vice versa, by means of a swap, for value today against the next working day.

Tomorrow/next; Tom/next:

A currency deposit transaction or the simultaneous purchase and sale of currency, or vice versa, by means of a swap, for value the next working day against the spot value.

Spot/next:

A currency deposit transaction or the simultaneous purchase and sale of currency, or vice versa, by means of a swap, for the spot value date against the next working day.

Weekend:

A currency deposit transaction or the simultaneous purchase and sale of currency, or vice versa, by means of a swap, for value the last working day of the week (normally FRIDAY) against the first working day of the following week (normally MONDAY). For the Saudi Riyal market (and for other Middle Eastern currencies) the specific days should be mentioned to avoid possibility of confusion.

Forward/forward:

A forward sale against a forward purchase, or forward purchase against a forward sale.

The lending and borrowing of the same amount of currency from one forward date to another forward date.

Outright:

The purchase or sale of currency for delivery for any date other than spot not being a swap transaction.

Par:

Forward price is the same as spot.

Parity or same:

No proposition on the rate(s) quoted by the other party. It does not imply that the party using this expression is ready to deal at the rates quoted. It is recommended that the expression "nothing to propose/suggest" is used.

Square:

Purchases and sales, or foreign currency assets and liabilities, are equal, i.e. no position, or no further interest in dealing.

'Put On' :

When a bank 'puts a broker on' the broker is given an order to arrange a deal on the principal's behalf. The broker may be put on either 'firm' or 'under reference'.

Firm:

A dealer making an offer or bid on a "firm" basis commits the bank but he should put some restriction on at the same time (e.g. "firm for one minute" or "firm for one million only").

The word "firm" can also be used in the context of strength.

For indication (only) - For information (only):

Quotations which are not firm, and intended as an indication of unwillingness or inability to deal.

Under reference :

A deal cannot be finalised without reference to the bank which placed the order.

'Take off':

When a bank 'takes off' a broker he is removing his own obligation to deal.

Details :

Information a dealer requires following the completion of a transaction, i.e. rate and dates etc.

Mine :

The dealer takes the "spot", or "deposit", whichever has been quoted, from his counterparty. (N.B. This is a very dangerous term and should be discouraged. It should not be used unless amounts have been qualified first).

Yours :

Reversal of above, the dealer giving the "spot", or "deposit". (N.B. this is a very dangerous term and should be discouraged. It should not be used unless amounts have been qualified first).

An unqualified 'mine' or 'yours' on European spots indicates a willingness to deal in an amount of at least \$ 5 mio. Whether qualified or unqualified these terms are used for buying and selling US dollars and NOT the relative currency, except for Cable spot when used for buying and selling Pounds Sterling.

Package deal :

A deal involving several operations which have to be done simultaneously, e.g. a dealer borrows dollars for three months. He then sells spot dollars against buying three months forward and lends the resulting currency for three months.

At your risk :

Quoted rates are subject to change and no more committing.

Margin/spread :

The difference between the buying and selling rates of a foreign exchange quotation or between the borrowing and lending rates in deposits. The expression is also used in Euro-currency loans to determine the rate of interest charged to the borrower over and above the rate of interest which is fixed at the commencement of each rollover period, such as every six months; e.g. a margin, or spread of x % p. a. above LIBOR (London Inter-Bank Offered Rate).

Point/pip :

The last decimal place of a quotation.

Mio :

One million.

Billion/Yard :

One thousand million (1,000,000,000).

Lakh :

One hundred thousand rupees.

Swaps terminology :

Ambiguous terms such as 'I give', 'bid', 'offer', 'borrow', 'yours' and 'mine' should not be used in swap deals unless clarified by, for example, " I buy and sell D.M. at" or "I sell and buy dollars at".

Improving on a firm price :

The following terminology is acceptable ;-

"I will improve 1/16 to"

"I will meet you in the middle"

"I will squeeze a pip/point"

'Bid' and 'offers' etc.

The tabulations below list terms which are regarded as acceptable in the Bahrain market. Other terms with the same meanings should be avoided wherever possible.

Foreign exchange market

Sell	Buy
Give	Take
Offer	Bid
Yours	Mine
'Some to go at'	Pay

Deposit market

Lend	Borrow
Give	Take
Offer	Bid
Yours	Mine
place	Pay
'Some to go at'	'Could use some at'
'Who	

Note : terms such as 'yours' and 'mine' should be qualified by the amount (see also the separate definitions of 'yours' and 'mine').

In the paper markets, such as for CDs and FRN's, normal terminology should always refer to the movement of paper and not to the movement of funds. For example to 'sell' paper means that the paper is being sold or offered, and not the money.

Acceptable Marketable amounts - FX :

The normally acceptable "minimum marketable amounts" are :-

Spot Saudi Riyals	-	\$5m.
Spot European	-	\$2m.
Cable	-	L1m.

Smaller amounts should be qualified.

Acceptable Marketable Amount - Deposits:

The normally acceptable "minimum marketable amounts" are: -

Short dates (up to 7 days)

Saudi Riyals	20m	("large" is SR 50m and over)
US Dollars	10m	("large" is \$ 50m and over)

Periods

Saudi Riyals	10m	("large" is SR 50m up to 3 months, SR 25m for longer periods)
US Dollars	5m	("large" is \$20m)

It is recommended that these definitions of marketable amounts become accepted market practice and apply to all deals, unless otherwise qualified.

Where banks are not willing to commit themselves in terms of the above marketable amounts, they should inform the brokers with whom they work the normally accepted amount that they are prepared to deal in when supporting the market. This in turn will enable the broker to give an immediate response to other banks who try to deal on those rates in terms of the amount which may be done.

'10 Plus':

The use of the term "10 Plus" in the Bahrain market is used to either:

- (a) refer to amounts in excess of 20 mio, when 10 mio is the minimum amount acceptable to a principal.
- (b) amounts slightly larger than 10 mio.

Because of this variation in practice, use of the term is discouraged.