

## ***Glossary of Terms***

### **Accrued Interest**

The total amount of interest from the dated date to the delivery of the bonds.

### **Arbitrage Yield**

The arbitrage yield is the allowable yield for escrow arbitrage calculations. It is the rate derived from discounting the principal and interest of the new bond issue at an amount equal to the par amount of the new bond issue plus accrued interest plus any premium or less any discount and less any expenses.

### **Average Coupon**

The weighted average of the bond coupons, based on maturity amount, maturity date, and coupon rate.

### **Average Life**

The total bond years divided by the total par amount of bonds.

### **Average Price**

The weighted average of the bond prices based on each maturity's par amount of bonds and dollar price.

### **Bid**

The underwriters' bid for the purchase of the bonds.

### **Bond Years**

One bond year is equivalent to a \$1,000-bond maturing in one year.

### **Call Date**

The date on which future bonds may be redeemed prior to maturity.

### **Call Price**

The dollar price to be paid for bonds called prior to maturity.

### **Capital Appreciation Bond**

A Capital Appreciation Bond (CAB) pays all interest at maturity. Bond interest compounds at the yield on the bonds until maturity.

### **Convertible CAB**

A Convertible Capital Appreciation Bond is a Capital Appreciation Bond with a conversion date on which it converts to a standard current interest bond and begins paying periodic bond interest.

### **Coupon**

The interest rate associated with each bond principal maturity date.

### **Dated Date**

The date from which bond interest is calculated (Start Calculation Date).

### **Debt Service**

The total amount of principal and interest due during any debt service period.

### **Debt Service Period**

This period is considered a fiscal period based on the fiscal month and day entered. It is the period in which a bond principal payment is due.

### **Delivery Date**

The date on which the bonds are legally delivered.  
The delivery date is also termed the settlement date.

### **Discount**

The difference between the bid received by the issuer and the total par amount of the issue.

### **Dollar Price**

See *Price*.

### **Maturity Date**

The date on which a bond can be redeemed (usually at par).

### **Menu**

A screen display that lists options or commands from which you can choose.

### **NIC %**

The total bond interest plus any discount or less any premium, then divided by the total bond years.

### **Par Amount**

The face value of a security. A \$5,000 par bond will pay \$5,000 at maturity regardless of the coupon or yield.

## Price

A number reflecting the percentage value of a bond. A \$10,000 bond with a dollar price of 102 can be purchased for \$10,200.

## Production

The total of each maturity's dollar price times the par amount of bonds for that maturity.

## Save

Save the information to your database.

## Spread

The underwriter's profit from the sale of the bonds. The difference between the amount the underwriter receives from the sale of the bonds and the bid price paid for the bond issue.

## True Interest Cost (TIC)

Sometimes referred to as Canadian Interest Cost (CIC). The internal rate of return or effective interest cost of the bonds based on bond proceeds received and expenses paid.

## Weighted Average Life

The weighted bond years divided by the gross production.

## Weighted Bond Years

The sum of the  $(\$PRICE \times PRINCIPAL \times YEARS) / \$1000$  for all bond maturities.

where:  $\$PRICE$  = Issue price  
 $YEARS$  = Years from delivery date to bond maturity date  
 $PRINCIPAL$  = Bond principal at bond maturity date

## Weighted NIC

The gross interest cost plus any discount or less any premium, less the accrued interest, divided by the weighted bond years.