

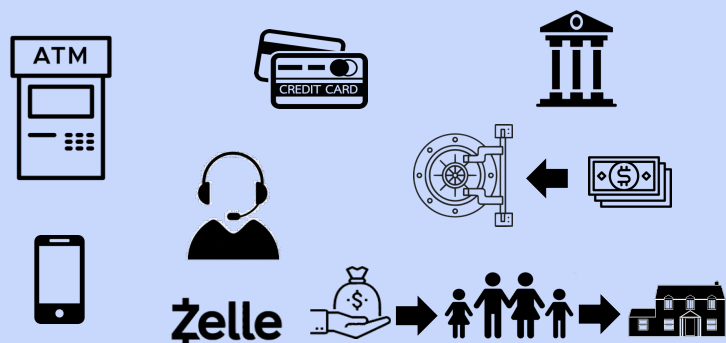
## CONSUMER BANKING

(2023 Revenue: \$42.031 Billion)

The Consumer Banking segment, which consists of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses.



Consumer Banking Operations



## GLOBAL WEALTH & INVESTMENT MANAGEMENT

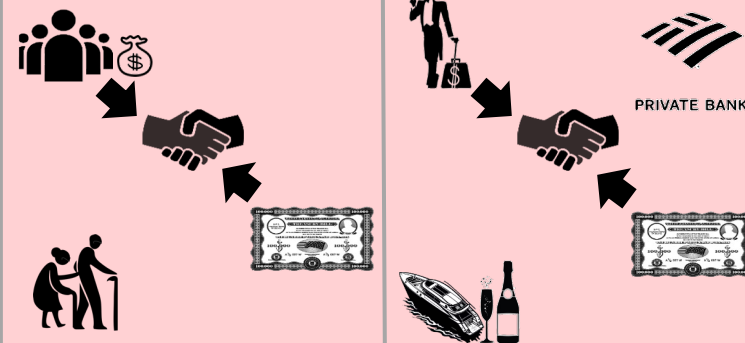
(2023 Revenue: \$21.105 Billion)

Global Wealth & Investment Management (GWIM) consists of two primary businesses: Merrill Wealth Management and Bank of America Private Bank. These businesses provide comprehensive wealth management solutions targeted to high net worth and ultra high net worth clients, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.



Merrill

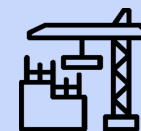
Private Bank



## GLOBAL BANKING

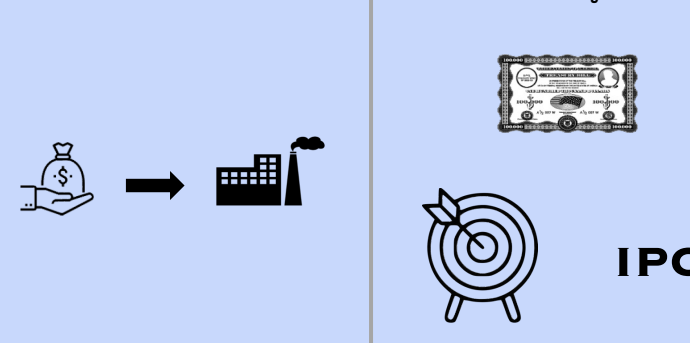
(2023 Revenue: \$24.796 Billion)

Global Banking, which includes (1) Global Corporate, Global Commercial, and Business Banking and (2) Global Investment Banking, provides a wide range of lending-related products and services, integrated working capital management and treasury solutions, and underwriting and advisory services through a network of offices and client relationship teams.



Regional Banking

Global Corporate & Investment Banking



## GLOBAL MARKETS

(2023 Revenue: \$19.527 Billion)

The Global Markets segment (1) offers sales and trading services to approximately 8,000 institutional clients across fixed-income, credit, currency, commodity and equity businesses (2) provides research services and product coverage including securities, and derivative products in both the primary and secondary markets, and (3) provides market-making, financing, securities clearing, settlement and custody services globally to such clients to support their investing and trading activities.



Investing and Brokerage Services, Market Making, Investment Banking Execution, Risk Management Products



Outside Relationships

Regulators: Public Debt Holders, Hedge Counterparties, Federal Home Loan Bank of Atlanta, FHLBank, FCA, Board of Governors of the Federal Reserve System, etc.
Capital: Public Debt Holders, Hedge Counterparties, Federal Home Loan Bank of Atlanta, FHLBank, FCA, Board of Governors of the Federal Reserve System, etc.
Suppliers: Dell Technologies, HP, Cisco, AT&T, Hyosung, Cirrus, Security, Money Transport Security Providers, GARDAWORLD, LOOMIS, Electronic Funds Transfer, Pannier Mae, Freddie Mac, VISA, MasterCard, etc.
Customers: Bank Holding Company and Banking Regulation, Bond Financing, Interest Rate, Foreign Exchange, Equity, Commodity, and Credit Derivatives, Working Capital Financing, etc.

Bank of America Corporation (a Delaware corporation)

Debt Structure: Debt (\$ 302.2 Billion @ 12/31/2023)
Credit Ratings (Long-Term Unsecured Debt): A1 (Moody's), A- (S&P), AA- (Fitch)
Table with columns: Depositors, Debt Issued or Guaranteed by Bank of America Corporation (Parent), Debt of Bank of America, N.A. (Bank Subsidiary), Equity Capital.

Governance: Board of Directors (Brian T. Moynihan, Pierre J.P. de Weck, etc.), Executive Management Team (CEO: Brian T. Moynihan, President: Business Banking: Raul A. Anaya, etc.), Finance and Accounting, Human Resources, Administration, Legal, Corporate Matters.

Operations

Consumer Banking (2023 Revenue: \$42.031 Billion), Global Wealth & Investment Management (2023 Revenue: \$21.105 Billion), Global Banking (2023 Revenue: \$24.795 Billion), Global Markets (2023 Revenue: \$19.527 Billion). Detailed descriptions of each segment and their services.

Global Wealth & Investment Management Competition: J.P.Morgan, Citi, Goldman Sachs, Morgan Stanley, UBS, Julius Bar, etc.
Global Banking Competition: PNC Bank, Wells Fargo, Chase, etc.
Global Markets Competition: Goldman Sachs, J.P.Morgan, etc.

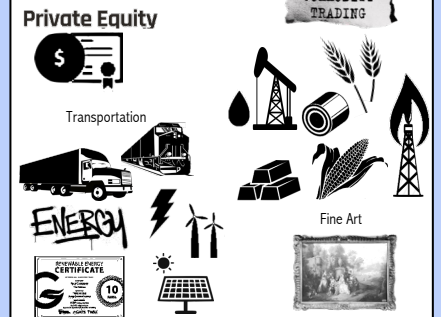
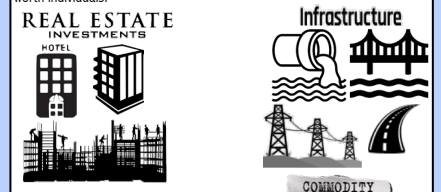
Outside Relationships

Customers: Securities, Stock Exchange Listing, Broker Dealer, and Commodities Trading Regulation, Equity Capital, Dividends and Common Stock Repurchases, etc.
Suppliers: Professional Service Firms (PwC, Deloitte, etc.), Hedge Funds, Pensions, Insurance Companies, Governments, Financial Institutions, etc.
Capital: Significant Shareholders (Berkshire Hathaway, Vanguard, etc.), BlackRock, State Street, etc.
Regulators: U.S. Securities and Exchange Commission, NYSE, FINRA, etc.

**ACH Network:** The Automated Clearing House (ACH) network is an electronic funds transfer system used in the United States for processing various types of financial transactions. It facilitates the transfer of funds between bank accounts, enabling businesses and individuals to make payments, receive deposits, and perform other financial transactions electronically. The ACH network processes a wide range of transactions, including direct deposits, bill payments, person-to-person payments, business-to-business payments, and government payments such as Social Security benefits and tax refunds. Transactions initiated through the ACH network are typically settled within one to two business days, providing a convenient and efficient means of transferring funds while reducing the need for paper checks and manual processing. Nacha governs the ACH Network.



**Alternative Investments:** Refers to investing in financial assets that do not fall into one of the conventional investment categories, such as stocks, bonds, or cash. By contrast, most alternative investments are fairly illiquid and can include private equity, venture capital, private credit, hedge funds, managed futures, art and antiques, commodities, derivatives contracts, and real estate. Most alternatives are held by institutional investors or high-net-worth individuals.



**Asset-Backed Securities (ABS):** Securitization pools assets and repackages them into interest-bearing securities. Asset-backed securities (ABSs) are backed by auto loans, mobile home loans, credit card loans, and student loans.

**Assets Under Management (AUM):** Assets under management (AUM) is the total market value of investments managed by a person or entity on behalf of clients. AUM fluctuates to reflect the flow of money in and out of a fund and the price performance of the assets. A fund's management fees and expenses are often calculated as a percentage of AUM.

**Bond:** A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). When companies or other entities need to raise money to finance new projects, maintain ongoing operations, or refinance existing debts, they may issue bonds directly to investors. The borrower (issuer) issues a bond that includes the terms of the loan, interest payments that will be made, and the time at which the loaned funds (bond principal) must be paid back (maturity date). The interest payment (the coupon) is typically made to the bondholders on a regular basis. The interest rate that determines the payment is called the coupon rate. Bond credit quality refers to the risk associated with the bond. If the issuer has a poor credit rating, the risk of default is greater, and these bonds pay more interest. The Standard and Poor's, Moody's, and Fitch Ratings credit ratings agencies generate credit ratings for a company and its bonds.

**Investment Grade Bonds:** These are very high-quality bonds that typically include debt issued by the U.S. government and very stable companies, such as many utilities.



**High-Yield Bonds:** Also referred to as junk bonds, these bonds are not considered investment grade but are not in default. These bonds have a higher risk of default in the future and investors demand a higher coupon payment to compensate them for that risk.

**Bond Funds:** A bond fund invests in corporate, government, municipal bonds, or other debt instruments to create a steady stream of monthly, quarterly, or semi-annual interest income to investors.

**Cash Equity:** In investing, cash equity is the common stock issued to the public and may also refer to the institutional trading of these shares.

**Cash Sweep:** Cash sweep refers to a process where excess cash balances in a brokerage or bank account are automatically transferred or "swept" into another investment or account to optimize returns or manage liquidity. Typically, cash sweep programs offer investors the option to automatically move uninvested cash from their brokerage accounts into higher-yielding money market funds or other investment vehicles. This helps investors earn additional income on their idle cash while maintaining easy access to funds for trading or withdrawals. Cash sweep programs are commonly used by investors seeking to maximize returns on their cash holdings while minimizing administrative hassle.

**Certificate of Deposit (CD):** A certificate of deposit (CD) is a type of savings account that pays a fixed interest rate on money held for an agreed upon period of time. Offered by both banks and credit unions, CDs differ from standard savings accounts in that CD funds must remain untouched for the entirety of their term—or the investor will incur a penalty. CDs usually pay a higher interest rate than savings accounts as an incentive for giving up one's withdrawal flexibility. Investors may invest in a financial institution's proprietary CDs directly or acquire them via a third-party intermediary such as a broker-dealer (i.e., brokered CDs).



**Collateralized Debt Obligation (CDO):** A CDO is a structured financial product that pools together a diverse portfolio of corporate loans and packages them into different tranches with varying levels of risk and return. These loans are typically leveraged loans made to corporations with lower credit ratings. The CDO issuer then sells securities backed by these loan portfolios (i.e., asset-backed securities) to investors. The cash flows generated from the underlying loans, such as interest and principal payments, are used to pay interest and principal to the holders of the CDO securities. The structure of CDOs enables risk to be diversified across multiple loans, reducing the overall risk for investors. Additionally, CDOs offer potential for attractive returns, especially for investors willing to take higher levels of risk. However, they also carry risks, like credit risk associated with the underlying loans and market risk related to changes in interest rates and economic conditions.

**Convertible Bond:** Convertible bonds are corporate bonds that can be exchanged for common stock in the issuer.

**Credit Risk:** Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Lenders can mitigate credit risk by analyzing factors about a borrower's creditworthiness, such as their current debt load and income. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

**Discretionary Investment:** An investment is discretionary if a third party is entitled to make investment decisions on the customer's behalf. In non-discretionary investments, the customer makes investment decisions based on his or his own ideas or those provided by an investment advisor.

**Divestitures:** A divestiture is the partial or full disposal of a business unit through sale, exchange, closure, or bankruptcy. A divestiture most commonly results from a management decision to cease operating a business unit because it is not part of a company's core competency. A divestiture may also occur if a business unit is deemed to be redundant after a merger or acquisition, if the disposal of a unit increases the sale value of the firm, or if a court requires the sale of a business unit to improve market competition. There can be several methods for structuring a divestiture, including:

- Spinoff:** A spinoff is a new and separate company that's created when a parent company distributes shares in a subsidiary or business division to the parent company shareholders. A parent company creates a spinoff expecting that it will be worth more as an independent entity than it was as part of the parent company.
- Split-Off:** Split-offs are generally characterized as a Type D reorganization which requires adherence to Internal Revenue Code, Sections 368 and 355. Following these section allows for a tax-free transaction primarily because shares are exchanged which is a tax-free event. In general, a Type D split-off also involves the transferring of assets from the parent company to the newly organized company.
- Split-Off Includes the Option for Current Shareholders of the Parent Company to Exchange their Shares for Shares in the New Company:** Shareholders do not have to exchange any shares since there is no proportional pro rata share exchange involved. Oftentimes, the parent company will acquire a premium in the exchange of current shares to the newly organized company's shares to create interest and offer an incentive in the share exchange.

**Equity:** Equity is stock in a company that allows investors to share in the profits and growth of the firm. Equity is important because it represents the value of an investor's stake in a company, represented by the proportion of its shares. Owning stock in a company gives shareholders the potential for capital gains and dividends. Owning equity will also give shareholders the right to vote on corporate actions and elections for the board of directors. These equity ownership benefits promote shareholders' ongoing interest in the company.



**Equity Derivatives:** An equity derivative is a financial instrument whose value is based on the equity movements of the underlying asset. Investors can use equity derivatives to hedge the risk associated with taking long or short positions in stocks, or they can use them to speculate on the price movements of the underlying asset. Examples of equity derivatives include:

- Equity Options:** An equity option represents the right, but not the obligation, to buy or sell a stock at a certain price, known as the strike price, on or before an expiration date.
- Equity Swaps:** An equity swap is an exchange of future cash flows between two parties that allows each party to diversify its income for a specified period of time while still holding its original assets. An equity swap is similar to an interest rate swap, but rather than one leg being the "fixed" side, it is based on the return of an equity index.
- Warrants:** Warrants are similar to equity options, except warrants are issued by a specific company rather than an exchange.
- Structured Notes:** A structured note is a debt obligation that also contains an embedded derivative component that adjusts the security's risk-return profile. The return performance of a structured note will track both the underlying debt obligation and the derivative embedded within it. This type of note is a hybrid security that attempts to change its profile by including additional modifying structures, thus increasing the bond's potential return.
- Futures:** (on individual securities, indices, or baskets of securities) Futures are derivative financial contracts that obligate parties to buy or sell an asset at a predetermined future date and price.

**Exchange Traded Fund (ETF):** An ETF, or exchange-traded fund, is a type of investment fund whose shares are traded on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. They offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool. Unlike mutual funds shares, which are priced at the end of each trading day and can only be redeemed by the fund, shares in ETFs are priced and can be bought and sold throughout the trading day. ETFs typically offer lower fees and more versatility than mutual funds, making them an attractive choice for many investors.



**Federal Deposit Insurance Corporation (FDIC):** The FDIC is an independent federal agency established in 1933 during the Great Depression to maintain stability and public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions. The FDIC insures deposits up to the legal limit per depositor per insured bank, currently set at \$250,000 per depositor per ownership category. In addition to deposit insurance, the FDIC monitors and addresses risks in the banking system, promotes consumer protection, and manages receiverships of failed banks to minimize disruptions to the financial system.

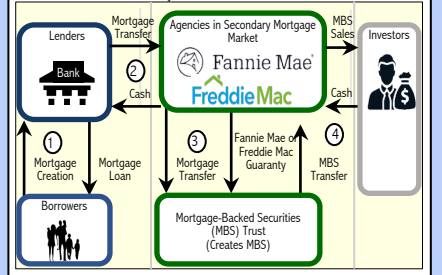


**Federal Funds Rate:** The federal funds rate is the interest rate at which depository institutions (e.g., banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. This tool is used by the Fed to regulate the economy. When the Fed wants to stimulate economic growth, it might lower the federal funds rate, making it cheaper for banks to borrow money, which encourages lending and investment. Conversely, if the Fed wants to slow down inflation or cool down an overheating economy, it might raise the federal funds rate, making borrowing more expensive and thus dampening spending and investment.

**Federal Home Loan Banks (FHLBanks):** The Federal Home Loan Bank Act of 1932 created the Federal Home Loan Bank System of government sponsored enterprises to encourage homeownership by providing a source of low-cost funds to member banks to be used for mortgage lending and community-related economic development. The system consists of 11 FHLBanks, 6,500+ member financial institutions (i.e., thrift institutions, commercial banks, credit unions, and insurance companies), and the Office of Finance as fiscal agent. Each FHLBank is a separate, government-chartered, member-owned corporation. A financial institution joins the FHLBank district that serves the state where the institution's home office or principal place of business is located.



**Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac):** Established in 1938 and 1970, respectively, Fannie Mae and Freddie Mac are U.S. government-sponsored entities provide liquidity to the residential mortgage market by buying qualifying mortgage loans from larger commercial banks, pooling and securitizing them, and then offering and selling them on the open market to private investors seeking safe investments. Both Fannie Mae and Freddie Mac guarantee the payment of the underlying loan principal and interest. This "secondary mortgage market" has the effect of increasing the supply of money available for mortgage lending and new home purchases. In general, Fannie Mae tends to buy loans from larger commercial banks and lenders, and Freddie Mac buys loans from smaller banks or credit unions.



**Federal Reserve Discount Window:** The discount window is a central bank facility that offers commercial banks very short-term loans (often overnight). The Federal Reserve discount window is considered an instrument of monetary policy that allows eligible financial institutions to borrow money from the central bank to meet temporary shortages of liquidity caused by internal or external disruptions.



**Federal Reserve System (Fed):** The Fed is the central banking system of the U.S. Established in 1913, the Fed is an independent agency established by Congress to operate as the central banking system of the U.S. and work within the framework of public policy objectives set by the government. It functions as the (1) bank of the federal government and national banks, (2) conducts monetary policy (via influencing the supply of money) to promote stable prices, maximum sustainable employment, and moderate long-term interest rates (3) regulates national banks and other financial institutions, and (4) provides financial services to the government and financial institutions.



**FINRA:** In the U.S., the SEC has authorized the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization, and the national stock exchanges to establish rules on trading securities and enforcing them. FINRA's aim is to protect investors and ensure that the operations of the securities industry are done in fairness and honesty. There are more than 4,250 brokerage firms and about 162,155 branch offices which all must be overseen by FINRA.



**Fixed Income:** Fixed income securities are financial instruments that provide capital and provide investors with a steady stream of income in the form of interest payments over a specified period. Unlike stocks, which represent ownership in a company, fixed income securities represent loans made by investors to issuers, such as governments, corporations, or municipalities. These securities include bonds, notes, and CDs. The issuer promises to repay the principal amount borrowed (the face value) at maturity, along with periodic interest payments. Fixed income securities are classified based on their maturity, credit quality, and issuer type, and they offer varying levels of risk and return.

**Forex Trading:** Refers to exchanging one currency for another to profit from the trade. The forex market (FX) is the world's most traded market. Forex trading is how individuals, businesses, central banks and governments pay for goods and services in other economies. Whenever an individual buys a product in another currency, or exchanges cash to go on holiday, he or she is trading forex. However, a significant proportion of forex trades aren't for practical purposes; instead, speculative FX traders seek to profit from fluctuations in the exchange rates between currencies, speculating on whether one will go up or down in value compared to another.



Forex is traded in pairs, meaning that when an individual trades forex, he or she is exchanging one currency for another. When buying EUR/USD, for example, the trader is buying euros while selling the US dollar. If the euro strengthens against the dollar, the trader's position will increase in value. If the euro weakens against the dollar, it will decrease in value. FX traders weigh up whether a currency looks likely to strengthen or weaken against another, then trade that pair accordingly. Currency markets never decline in absolute terms – for one currency to go up, there will be others weakening against it. All currencies cannot go up at the same time. There is always going to be a winner and a loser. Global forex trading is dominated by just ten banks, who are responsible for two-thirds of global volume. The five largest forex dealers are Deutsche Bank, UBS, Cit, Barclays, and JPMorgan.



**Global Systemically Important Bank (G-Sib):** A G-Sib is a bank whose systemic risk profile is deemed so important that the bank's failure would trigger a wider financial crisis and threaten the global economy. The Basel Committee has developed a formula for determining which banks are G-Sibs, deploying size, interconnectedness and complexity criteria. National regulators subject G-Sibs to stricter prudential regulations of higher capital requirements, extra surcharges, or more stringent stress tests.

**Green Bond:** Green bonds are designated bonds intended to encourage sustainability and support climate-related or other special environmental projects. More specifically, green bonds finance projects aimed at energy efficiency, pollution prevention, sustainable agriculture, fishery and forestry, the protection of aquatic and terrestrial ecosystems, clean transportation, Global Green Bond is dominated clean water, and sustainable Water management. They also finance the cultivation of environmentally friendly technologies and climate change mitigation. Green bonds may come with tax exemptions and credits, making them a more attractive investment.



**Hedge Fund:** A hedge fund is a pool of money that is invested in stocks and other assets. Hedge funds are generally more aggressive, riskier, and more exclusive than mutual funds. Their managers have freer rein to invest in a wide variety of assets and to use bolder strategies in pursuit of higher profits and are rewarded with much higher fees than mutual funds charge.

**Index Fund:** Index funds are investment funds that follow a benchmark index, such as the S&P 500 or the Nasdaq 100. When an investor puts money in an index fund, that cash is then used to invest in all the companies that make up the particular index, which gives the investor a more diverse portfolio than if he or she was buying individual stocks.



**Insured Depository Institution (IDI):** An IDI is any bank or savings association with some form of deposit insurance. All federally chartered banks and savings institutions are required by law to have FDIC coverage. The FDIC currently requires certain IDIs to submit a resolution plan every three years that describes the IDI's strategy for a rapid and orderly resolution in the event of material financial distress or failure of the IDI.

**Mutual Fund:** Refers to an investment vehicle that pools money from many investors to purchase a diversified portfolio of stocks, bonds, or other securities. Managed by professional money managers, mutual funds aim to produce capital gains and income for the fund's investors. Each shareholder participates proportionally in the gains or losses of the fund. Mutual funds offer an affordable way for individuals to access a diversified, professionally managed portfolio. The value of a mutual fund is determined at the end of each trading day and is known as the net asset value (NAV), which is calculated by dividing the total value of all the securities in the portfolio by the total number of the fund's shares. Mutuals may not be sold on a market, like ETF. Instead, to exit one's investment, the investor must request the fund to redeem shares at the NAV at the close of business on the date of the request.



**Liability-Driven Investing (LDI):** LDI is a strategy commonly used by institutional investors like pension funds and insurance companies to match the assets in a portfolio with the liabilities or obligations of the investor, particularly in terms of timing and cash flow requirements. LDI portfolios are actively managed to adjust to market conditions, interest rates, and the investor's liabilities, and this may involve rebalancing the portfolio, adjusting asset allocation, or hedging against specific risks.

**Liquidity Risk:** Liquidity risk refers to the potential difficulty an entity may face in meeting its short-term financial obligations due to an inability to convert assets into cash without incurring a substantial loss. This risk is inherent in both financial institutions and corporations, significantly impacting their operational and financial stability.

**Margin Lending:** Refers to using borrowed funds from a broker to trade a financial asset, which forms the collateral for the loan from the broker. The collateralized loan comes with a periodic interest rate that must be paid. The investor is using borrowed money, and thus, both the losses and gains will be magnified. Margin trading can be advantageous in cases where the investor anticipates earning a higher rate of return on the investment than what they are paying in interest on the loan.

**Market Maker:** Refers to a financial institution that facilitates trading in financial instruments by providing bid and ask prices in a security or asset. Market makers play a crucial role in ensuring market liquidity by standing ready to buy or sell securities at publicly quoted prices. They typically operate in markets for stocks, bonds, currencies, and derivatives. Their key functions include (1) ensuring there are always prices available for traders to buy or sell securities, even in volatile market conditions, (2) helping stabilize prices by absorbing excess supply or demand through their trading activities, (3) managing their own inventory of securities to facilitate trading while minimizing their exposure to market risks, and (4) earning profits from the bid-ask spread—the difference between the price at which they buy and sell securities.

**Market Risk:** Market (systemic) risk is the possibility that an individual or other entity will experience losses due to factors that affect overall performance of investments in financial markets. Market risk affects the performance of the entire market simultaneously. It may arise due to changes to interest rates, exchange rates, geopolitical events, or recessions. Conversely, specific risk, or unsystematic risk, involves the performance of a particular security and can be mitigated through diversification.

**Money Market Funds:** Money market funds invest in instruments such as cash, cash equivalent securities, and high-credit-rating, short-term debt-based securities (e.g., U.S. Treasuries) to offer investors high liquidity with a low level of risk.



**Mortgage-Backed Securities (MBS):** Mortgage-backed securities (MBS) are investment products similar to bonds. Each MBS consists of a bundle of home loans and other real estate debt bought from the banks that issued them. Investors in mortgage-backed securities receive periodic payments similar to bond coupon payments. The investor who buys an MBS is essentially lending money to home buyers. An MBS is as safe as the mortgage loans that back it up. There are two types of MBSs:

- Pass-Throughs:** Pass-throughs are structured as trusts in which mortgage payments are collected and passed through to investors. They typically have stated maturities of five, 15, or 30 years. The life of a pass-through may be less than the stated maturity depending on the principal payments on the mortgages that make up the pass-through.
- Collateralized Mortgage Obligations (CMO):** CMOs consist of multiple pools of securities, known as slices or tranches. The tranches are given credit ratings, determining the rates returned to investors. Tranches within an MBS can have different credit profiles.

**Net Asset Value:** The NAV is calculated at the end of each trading day based on the closing market prices of a mutual fund's securities portfolio. This value determines the price at which investors buy and sell shares in the fund. While ETFs also have a NAV, they differ from mutual funds in that ETFs are traded throughout the day on stock exchanges at market prices that can differ from the NAV.

**Opportunistic:** Refers to an investment strategy to take advantage of opportunities as they arise, often in a situation where conditions are favorable or a chance for gain exists.

**Private Credit:** Refers to a type of debt financing where non-traditional lenders, such as private equity firms, hedge funds, or specialized credit funds, provide loans or credit to companies that may not easily access capital from traditional banks or public debt markets. These loans can take various forms, including direct lending, mezzanine financing, or distressed debt investments. Private credit often involves higher interest rates and more flexible terms compared to conventional bank loans, making it attractive for borrowers in need of customized financing solutions. Investors in private credit seek to generate returns through interest payments and potential capital appreciation while taking on varying degrees of credit risk.

**Private Equity:** Refers to a collective form of investment in which capital is provided by high-net worth private individuals, institutional investors, or firms to acquire, invest in, or provide funding to privately held companies. These investments are typically not publicly traded on stock exchanges. Private equity investors often take an active role in the management and growth of the companies they invest in, aiming to improve their profitability and value. They may seek to achieve returns through various strategies, such as buyouts, venture capital, or mezzanine financing. Private equity investments are typically illiquid and involve a longer investment horizon compared to publicly traded stocks or bonds.

**Public Stock Offerings:** A public offering is the sale of equity shares or other financial instruments such as bonds to the public in order to raise capital. The capital raised may be intended to cover operational shortfalls, fund business expansion, or make strategic investments. The financial instruments offered to the public may include equity stakes, such as common or preferred shares, or other assets that can be traded like bonds. The SEC must approve all registrations for public offerings of corporate securities in the United States. An investment underwriter usually manages or facilitates public offerings.

**Initial Public Offering (IPO):** An initial public offering (IPO) is the first time a private company issues common stock to the public. Younger companies seeking capital to expand often issue IPOs, along with large, established privately owned companies looking to become publicly traded as part of a liquidity event. In an IPO, a very specific set of events occurs, which the selected IPO underwriters facilitate: (1) An external IPO team is formed, including the lead and additional underwriter(s), lawyers, certified public accountants (CPAs), and SEC experts; (2) information regarding the company is compiled in the company prospectus, including its financial performance, details of its operations, management history, risks, and expected future trajectory; (3) the financial statements are submitted for an official audit and (4) the company files its prospectus with the SEC and sets a date for the offering.

**Secondary Offering:** A secondary offering is when a company that has already made an initial public offering (IPO) issues a new set of corporate shares to the public.

**SBC Funds:** Small Business Investment Company (SBC) funds are privately managed investment funds licensed by the U.S. Small Business Administration (SBA) to provide financing and equity capital to small and medium-sized enterprises (SMEs). These funds operate with a dual mission: to generate attractive returns for their investors while also fostering the growth and development of small businesses. SBC funds typically focus on providing long-term financing, including debt and equity investments, to support a variety of business activities such as expansion, acquisitions, working capital, and management buyouts.



**Securities Lending:** Refers to the practice of loaning shares of stock, commodities, derivative contracts, or other securities to other investors or firms. It requires the borrower to put up collateral, whether cash, other securities, or a letter of credit. When a security is loaned, the title and the ownership are also transferred to the borrower. A loan fee is charged by a brokerage to a client for borrowing shares, along with any interest due related to the loan. The loan fee and interest are charged pursuant to a Securities Lending Agreement and must be completed before the stock is borrowed by a client. Holders of securities that are loaned receive a rebate from their brokerage. Securities lending provides liquidity to markets, can generate additional interest income for long-term holders of securities, and allows for short-selling.

**Securitize:** The process of converting assets, like loans or receivables, into securities that can be traded on financial markets. This process allows financial institutions to package and sell these securities to investors, thus converting illiquid assets into tradable instruments.

**Short Selling:** An investment or trading strategy speculating on a stock's decline or other security's price. It is an advanced strategy that should only be undertaken by experienced traders and investors. Traders may use short selling as speculation and investors or portfolio managers may use it as a hedge against the downside risk of a long position in the same security or a related one. In short selling, a position is opened by borrowing shares of an asset that the investor believes will decrease in value. The investor then sells these borrowed shares to buyers willing to pay the market price. Before the borrowed shares must be returned, the trader is betting that the price will continue to decline, and the trader can purchase the shares at a lower cost. The risk of loss on a short sale is theoretically unlimited since the price of any asset can climb to infinity.

**SIPC:** The Securities Investor Protection Corporation is a federally mandated, non-profit, member-funded, U.S. government corporation created under the Securities Investor Protection Act of 1970 that mandates membership of most US-registered broker-dealers. It protects customers if their brokerage firm fails, which is rare. If it happens, SIPC protects the securities and cash in client brokerage accounts up to \$500,000.



**SOFR:** The Secured Overnight Financing Rate is a key interest rate benchmark for the U.S. financial markets (loans, bonds, and derivatives). It represents the cost of borrowing cash overnight collateralized by Treasury securities. SOFR is based on actual transactions in the repurchase agreement (repo) market, providing a reliable and robust measure of short-term borrowing costs. It was introduced as an alternative to LIBOR (London Interbank Offered Rate) due to concerns about LIBOR's sustainability and reliability, especially after a manipulation scandal.



**Structured Securities:** Refers to loan-backed securities that have been divided into two or more classes of investors where the payment of interest and/or principal of any class of securities has been allocated in a manner that is not proportional to interest and/or principal received by the issuer. In the mortgage pool or other underlying securities. One example is a Collateralized Debt Obligation (CDO).

**Co-origination:** A financial institution, often an investment bank, creates a CDO. They pool together various debt instruments, such as mortgages, bonds, or loans, into different tranches or layers.

**Tranches:** CDOs typically have several tranches with varying levels of risk and return. These tranches are structured so that the higher-rated tranches are considered less risky, while the lower-rated tranches are riskier but offer potentially higher returns.

**Payment Structure:** The cash flows generated from the underlying debt instruments are distributed to investors in the CDO. Each tranche receives payments in a specific order, with the most senior (least risky) tranches receiving payments first and the junior (riskier) tranches receiving payments later, if at all.

**Credit Enhancement:** To attract investors, CDOs often include credit enhancements, such as insurance or other guarantees, to provide additional protection to the higher-rated tranches.

**Risk Distribution:** By structuring the CDO with different tranches, the risk associated with the underlying debt is distributed among investors. This allows investors with varying risk appetites to participate in the CDO market.

**Complexity:** CDOs can be highly complex, and assessing their true risk can be challenging, as they involve multiple layers of debt and interdependencies among different securities.

**SWIFT:** The Society for Worldwide Interbank Financial Telecommunication system is a global messaging network used by financial institutions to securely and efficiently transmit information and instructions related to financial transactions. It provides a standardized means of communication for banks and other financial institutions worldwide, facilitating the transfer of funds, securities, and other financial messages. SWIFT messages contain information about the sender, recipient, and nature of the transaction, allowing for accurate and timely processing. The SWIFT system operates 24/7, enabling real-time communication and settlement of transactions across different time zones. SWIFT is used for international money transfers, foreign exchange transactions, trade finance, and other financial activities, serving as a vital infrastructure for the global financial system.



**Syndicated Loans:** Is a form of financing that is offered by a group of lenders. They arise when a project requires too large a loan for a single lender or when a project needs a specialized lender with expertise in a specific asset class. Syndicating allows lenders to spread risk and take part in financial opportunities that may be too large for their individual capital base.

**Zelle:** Is a popular digital payments network in the U.S. that allows users to send and receive money quickly and securely directly from their bank accounts. Developed by Early Warning Services, LLC, Zelle enables users to transfer funds to friends, family, and businesses with just a few taps on their mobile device or computer. Transactions are typically processed instantly, or within minutes providing near real-time access to transferred funds. Zelle is integrated into many major banks' mobile banking apps, making it widely accessible to consumers.

