

# Investment Banking Terms Explained

# The Greeks

## Delta, Gamma, Theta, Rho, Vega

Greeks are used in the options market to describe the different dimensions of risk involved in taking an options position

# Mark to Market (MTM)

Value of An Asset/Company Based  
on Current Market Value

MTM adjusts the value of assets under which the fair values of accounts that are subject to periodic fluctuations can be measured

# Black-Scholes Model

## A Model used for Pricing an Options Contract

The model estimates the theoretical value of derivatives based on other investment instruments, taking into account the impact of time and other risk factors.

# Merger Model

Used to Analyze the impact of two companies merging/joining together

A basic merger model consists of an Income Statement, a Balance Sheet, a Cash Flow Statement, and a Per Share Analysis.

# BID/ASK

Term referring to the rate at which buyers and sellers are willing to transact

A pair of prices, where “bid” is the price at which a trader is prepared to buy and “ask” is the price at which the trader is prepared to sell the security (note that “ask” is sometimes referred to as “offer”)

# Chinese Wall

Ethical practice preventing the spread of insider information

A barrier restricting the flow of information between the Public side of the business (e.g. Sales and Trading) and the Private side (e.g. Investment Banking).

# Plain Vanilla

The simplest form of a financial  
Instrument or asset

A simple, straightforward financial product  
without any unusual characteristics.

# Securitization

Grouping debt into investable  
financial instruments

The process of distributing risk by aggregating debt instruments in a pool and then issuing new securities backed by the pool.

# Yield

Measurement of Income received  
from an Investment over time

The return on a security expressed as a  
proportion of its price

# LBO – Leveraged Buy-out

Acquisition strategy using  
borrowed funds

Leveraged buy-out is a strategy involving the acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition.

# Equity Research

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Analysts in Equity Research focus on understanding the fundamentals of the economy, an industry, or an individual business to assist a bank's clients in making sound investment decisions.