

Competitive Exams: International Banking Terminology E to K

- **Earnest Money:** A deposit made by a potential buyer to show that they are serious about buying an asset.
- **Electronic Funds Transfer (EFT):** EFT allows entities to transfer funds from an account electronically. It can be used by creditors to pull funds from a customer automatically. EFT's are efficient, immediate, and easy.
- **Fair Market Value (FMV):** The highest price that a buyer, willing but not compelled to buy, and the lowest a seller, willing but not compelled to sell, would accept.
- **Federal Discount Rate:** The interest rate, which member banks may borrow short term funds directly from the Federal Reserve Bank. **Federal Funds Rate:** Historically, the primary tool that the Fed uses to influence interest rates and therefore, the economy. It is the rate, which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. It is not quite as effective as it once was because banks now have other sources of borrowing.
- **Federal Reserve System:** The central bank of the United States. The Fed, as it is commonly called, regulates the US monetary and financial system. The Fed is composed of a central governmental agency in Washington DC (the Board of Governors) and twelve regional Federal Reserve Banks. The Fed's duties consist of:
 1. Conducting monetary policy.
 2. Regulating banking institutions and protecting credit rights of consumers.
 3. Maintaining the stability of the financial system.
 4. Providing financial services to the USA government.
- **Fiduciary:** Undertaking to act as executor, administrator, guardian, conservator, or trustee for a family trust, authorized trust, or testamentary trust, or receiver or trustee in a bankruptcy.
- **Float:** The amount of uncollected funds represented by checks in the possession of one bank but drawn on other banks or the time that elapses between the day a check is deposited and the day it is presented for payment to the financial institution on which it is drawn.
- **Guarantor:** A party who agrees to be responsible for the payment of another party's debts should that party default.

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- **Kiting:** Writing a check in an amount that will overdraw the account, but making up the deficiency by depositing another check on another bank.