

accumulated appropriation for losses. Currently, there is no uniform definition of capital. The Inspector General of Banks is urged by this Committee to provide a set of precise guidelines relating to the calculation of capital.

EURODOLLAR

Originally, short term deposit liabilities, denominated in U.S. dollars of banks in Europe. Similarly, there is now Asian-dollar, Euro-yen, Euro-mark and so on. It is now generally used to refer to short term deposits, denominated in a specific currency but placed in a bank in a country other than that of the currency.

EXTERNAL SOURCES OF FINANCING

Sources of new funds derived from the outside of a corporation such as borrowing by debentures and new equity capital.

FLOATING RATE LOAN

A loan which does not have a fixed rate of interest throughout the term of the loan. The rate of interest usually adjusts in accordance with some predetermined manner related to changes in the prime rate.

INTEREST RATE SPREAD

The difference between some typical interest rates such as the prime and savings rate.

INTERNAL SOURCES OF FINANCING

Sources of new funds generated from within a corporation such as retained earnings and capital cost allowance.

INVENTORY PROFIT

In banking, it refers to the phenomenon of temporary rising profits when interest rates rise rapidly because earlier deposits are locked in at a lower rate while loans with floating rates immediately reflect the interest rate rise. Conversely, when interest rates decline quickly, a temporary inventory loss is incurred as floating rates on loans decline while deposit rates are locked in at higher rate of the preceding period.

INVENTORY SPREAD

The difference between the current lending rate and the deposit rate of an earlier period. Because banks often have to fund current loans with deposits received earlier, the inventory spread is also known as the funding spread.

LEVERAGE

In the case of banks, it refers to the amount of the total assets a bank has in relation to the equity capital of the shareholders of the bank. It is an indicator of safety and stability of a bank.

LOAN SUBSTITUTES

A term referring to specific instruments used by the Federal Government to enable certain corporations to