



Frequently Used Financial Markets Terms – August 2023

Technical Term	Explanation
Government Debt Securities	Refers to contracts between the Government and investors. The Government issues these instruments to borrow funds from individuals and business entities.
Bonds	A bond is a fixed income instrument with longer term maturity, and it represents a loan between the issuer (borrower of funds) and investors (lenders of funds).
Treasury Bills (T-Bills)	These are short-term debt instruments with maturity of twelve months or less. They are issued/ sold at a discount at auctions. As a result, the investor pays the discounted amount at issuance and receives the face value (nominal) amount at maturity of the T-Bill.
Budget Financing	Budget financing is the allocation of budget capital to various firms, organisations and institutions to carry out developmental work. Budgeting is the process of qualifying the estimated finances a business entity will require for any given period, to guide the financial direction for that period, with a view to achieve expected revenue or income.
Capital Market Development	This refers to the growth in depth and effectiveness of capital markets. The capital market effectively transfers monetary purchasing power from surplus funds of investors to those with deficits for a fixed period in exchange for greater future purchasing power. They play a major role in recapitalising and privatisation of large infrastructure projects and industries.
Open Market Operations	The purchase and sale of securities in the open market by a central bank in the implementation of monetary policy.
Liquidity	The efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price.
Liquidity Portfolio	It is a money market and fixed income fund that provides a buffer for short-term trade and capital account requirements.
Repurchase Agreements (Repos/Reverse Repos)	A contractual arrangement where one party agrees to sell securities (such as treasury bills and bonds) to another party at a specified price with a commitment to buy the securities back after a stated period, for another specified price.

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Foreign Exchange Reserves	Assets held by the Bank of Botswana in foreign currencies.
Stock Markets	These are venues where companies list their shares, and they are bought and sold by traders and investors.
Shares	Represent units of ownership in a corporation or financial asset owned by investors who exchange capital in return for these units
Foreign Exchange (Forex)	The conversion of one currency into another at a specific rate known as the foreign exchange rate.
Foreign Exchange Brokers	Financial institutions offering international currency trading(forex) services to private traders.
Foreign Exchange Markets	It is a decentralised and over-the-counter market where all currency exchange trades occur.
Bank of Botswana Certificates (BoBCs)	Refers to the instruments used by the central bank to control liquidity in the banking system.
Standing Deposit Facility	This is a collateral-free liquidity absorption mechanism implemented by the central bank with the intention of transferring liquidity out of the commercial banking sector and into the central bank.
Standing Credit Facility	It is an overnight collateralised loan facility that provides funds to the commercial banks at a predetermined interest rate, so as to cover temporary end-of-day shortfalls that can arise in the daily settlement of payments.
Fund Managers	A fund manager is responsible for implementing a fund's investing strategy and managing its portfolio trading activities.
Capital	This refers to a large sum of money which is used to start a business or invested in order to make more money.
Capital Inflows	It is the amount of capital coming into a country in the form of foreign investment.
Capital Outflows	Refers to the movement of assets out of a country.
Currency Gains/loss	The difference in the value of the foreign currency, when converted to the local currency of the seller.
Green Bonds	A type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
Bond Yields	The return an investor realises on a bond, which is expressed as a percentage of the bondholder's invested capital.

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Transaction Balances Tranche	Tranches are segments created from a pool of securities, usually debt instruments such as bonds or mortgages that are divided up by risk, time to maturity, or other characteristics to be marketable to different investors.
Money Markets	A financial market for the trade of liquid and short-term assets that can be easily converted into cash.

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