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1. UBPR

UBPR represents Uniform Bank Performance Report. The UBPR is an analytical tool that is available at no charge through the Financial Institutions Examination Council (FFIEC) at their website www.ffiec.gov. The UBPR is created for bank supervisory, examination, and bank management purposes. The report is produced for each commercial bank in the US that is supervised by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency. UBPRs are also produced for FDIC insured savings banks. This computer generated repot is from a database derived from public and nonpublic sources.

2. Unbundling

[See also **Bundling**]

3. Uncommitted Line of Credit

An uncommitted line of credit does not have an up-front fee payment, and so the bank is not obliged to lend the firm money. If the bank chooses to lend under the terms of the line of credit, it may do so, but it also may choose not to lend. [See also **Revolving credit agreement**]

4. Underlying Asset

The asset whose price determines the profitability of a derivative. For example, the underlying asset for a purchased call is the asset that the call owner can buy by paying the strike price.

5. Underlying Variable

A variable which the price of an option or other derivative depends. [See also **Black-Scholes option pricing model**]

6. Underpricing

Underpricing represents the difference between the aftermarket stock price and the offering price. Underpricing represents money left on the table, or money the firm could have received had the offer price better approximated the aftermarket value of the stock.

7. Underwrite

Purchase securities from the initial issuer and distribute them to investors. [See also **Underwriter**]

8. Underwriter

The investment bank carries, or underwrites, the risk of fluctuating stock prices. Thus, an investment bank is sometimes called an underwriter. Should the market's perception of the issuer change or a macroeconomic event result in a stock market decline, the investment bank carries the risk of loss, or at least the possibility of a smaller than expected spread.

9. Underwriting, Underwriting Syndicate

Underwriters (investment bankers) purchase securities from the issuing company and resell them. Usually a syndicate of investment bankers is organized behind a lead firm. [See also **Syndicates**]

10. Undivided Profits

Retained earnings or cumulative net income not paid out as dividends. It can be used as an internal source of funds.

11. Unearned Interest

Interest received prior to completion of the underlying contract.

12. Unemployment Rate

The ratio of the number of people classified as unemployed to the total labor force. The unemployment rate is used to determine whether a country's economy is in boom, recession, or normal.

13. Unexpected Losses

A popular term for the volatility of losses but also used when referring to the *realization* of a large loss which, in retrospect, was unexpected.

14. Unfunded Debt

Short-term debt, such as account payable is the unfunded debt. Cost of capital of an unfunded debt is the risk-free interest rate.

15. Uniform Limited Offering Registration

Several states offer programs to ease the process of public equity financing for firms within their borders. A firm in a state that has enacted a ULOR (Uniform Limited Offering Registration) law can raise $1 million by publicly selling shares worth at least $5. This law creates a fairly standardized, fill-in-the blank registration document to reduce a firm's time and cost in preparing an offering.

16. Unique Risk

[See **Diversifiable risk**]

17. Unit Banking States

States that prohibit branch banking are called units banking states. Since 1994, most of the states have become branch banking states.

18. Unit Benefit Formula

Method used to determine a participant's retirement benefit plan by multiplying years of service by the percentage of salary.

19. Unit Investment Trust

Money invested in a portfolio whose composition is fixed for the life of the fund. Shares in a unit trust are called redeemable trust certificates, and they are sold at a premium above net asset value.

20. Unit of Production Method

The unit production method is one of the accelerated depreciation methods. This method determines the depreciation in accordance with total production hours for the machines and production hours operate each year. If we assume that a machine is purchased for $ 6,000 and has a salvage value of $ 600, then, the expected useful life of 5,000 hours is divided into the depreciable cost (cost-salvage value) to obtain an hourly depreciation rate of $1.08. If we assume the machine is used 2,000 hours the first year, 1,000 hours the second year, 900 hours the third year, 700 hours the fourth year, and 400 hours the fifth year, then the annual depreciation is determined as follows:

$$
\begin{array}{lr}
\textit{Year } 1\ \$1.08 \times 2{,}000 = & \$2{,}160 \\
\textit{Year } 2\ \$1.08 \times 1{,}000 = & \$1{,}080 \\
\textit{Year } 3\ \$1.08 \times 900 \quad = & \$972 \\
\textit{Year } 4\ \$1.08 \times 700 \quad = & \$756 \\
\textit{Year } 5\ \$1.08 \times 400 \quad = & \$432 \\
\hline
\textit{Total depreciation} & \$5{,}400.
\end{array}
$$

21. Unit Volume Variability

Variability in the quantity of output sold can lead to variability in EBIT through variations in sales revenue and total variable costs such as raw material costs and labor costs. The net effect of fluctuating volume leads to fluctuations in EBIT and contributes to business risk. [See also **Business risk**]

22. Universal Financial Institution

A financial institution (FI) that can engage in a broad range of financial service activities. Financial system in US has traditionally been structured along separatist or segmented product lines. Regulatory barriers and restrictions have often inhibited the ability of an FI operating in one area of the financial services industry to expand its product set into other areas. This might be compared with FIs operating in Germany, Switzerland, and the UK, where a more universal FI structure allows individual financial services organizations to offer a far broader range of banking, insurance, securities, and other financial services products. However, the recent merger between Citicorp and Travelers to create Citigroup, the largest universal bank or financial conglomerate in the world, was a sign that the importance of regulatory barrier in the US is receding. Moreover, the passage of the Financial Services Modernization Act of 1999 has accelerated the reduction in the barriers among financial services firms. Indeed, as consolidation in the US and global financial services industry proceeds apace, we are likely to see acceleration in the creation of very large, globally oriented multi-product financial service firms.

23. Universal Life Policy

An insurance policy that allows for a varying death benefit and premium level over the term of the policy, with an interest rate on the cash value that changes with market interest rates. Universal life was introduced in 1979. It combines the death protection features of term insurance with the opportunity to earn market rates of return on excess premiums. Unlike variable life, with its level premium structure, premiums on universal life policies can be changed. The policyholder can pay as high a "premium" as desired, instructing the insurer to invest the excess over that required for death protection in the insurer's choice of assets. Later, if the policyholder wishes to pay no premium at all, the insurer can deduct the cost of providing death protection for the year from the cash value accumulated in previous years. With other types of policies, skipping a premium would cause the policy to lapse. Unlike whole or variable life policies, the face amount of guaranteed death protection in a universal life policy can be changed at the policyholder's option. Also, unlike variable life, the cash value has a minimum guaranteed rate of return.

24. Unseasoned New Issue

Initial public offering (IPO). It is the first public equity issue that is made by a company. [See also **Initial public offering** and **Going public**]

25. Unsystematic Risk

A well-diversified portfolio can reduce the effects of firm-specific or industry-specific events – such as strikes, technological advances, and entry and exit of competitors – to almost zero. Risk that can be diversified away is known as unsystematic risk or diversifiable risk. Information that has negative implications for one firm may contain good news for another firm. In a well-diversified portfolio of firms from different industries, the effects of good news for one firm may effectively cancel out bad news for another firm. The overall impact of such news on the portfolio's returns should approach zero.

26. Up-and-In

A **knock-in option** for which the barrier exceeds the current price of the underlying asset. [See also **Knock-in option**]

27. Up-and-Out

A **knock-out option** for which the barrier exceeds the current price of the underlying asset. [See also **Knock-out option**]

28. Up-and-Out-Option

An option that comes into existence when the price of the underlying asset increases to a prespecified level.

29. Uptick

A trade resulting in a positive change in a stock price, or a trade at a constant price following a preceding price increase.

30. Usury Ceilings

Usury refers to interest charges in excess of that legally allowed for a specific instrument. Besides disclosure and bankruptcy laws, some sates restrict the rate of interest that may be charged on certain categories of loans, primary consumer loans, but also some agricultural and small business loans. Usury laws establish rate ceilings that a lender may not exceed, regardless of the lender's costs. Usury ceilings apply to lenders of all types, not just to depository institutions.

31. Utility Function

Utility is the measure of the welfare or satisfaction of an investor. The utility function can be defined as $U = f(\overline{R}, \sigma^2)$, where $\overline{R} =$ average rates of return; and $\sigma^2 =$ variance of rate of return.

32. Utility Theory

Utility theory is the foundation for the theory of choice under uncertainty. Following Henderson and Quandt (1980), cardinal and ordinal theories are the two major alternatives used by economists to determine how people and societies choose to allocate scarce resources and to distribute wealth among one another over time. [See also **Cardinal utility** and **Ordinal utility**]

33. Utility Value

The welfare a given investor assigns to an investment with a particular return and risk. [See also **Utility function**]