NPB Glossary terms

- **Bond:** A bond is a long-term debt Instrument issued by a company or Government as a means of borrowing funds.

- **Buy-In:** An occurrence in which an investor is forced to repurchase shares of security because the seller of the original shares did not deliver the securities in a timely fashion or did not deliver them at all.

- **Certified Climate Bond:** A green bond, green loan or other green debt instrument that is Certified by the Climate Bonds Standard Board as meeting the requirements of the Climate Bonds Standard.

- **Climate Bonds:** These are bonds devoted to financing projects or activities with positive climate impacts.

- **Climate Bond Standard:** The Climate Bonds Standard sets out the requirements to be met for Issuers seeking Certification of a bond, loan or other debt instrument. The requirements are separated into Pre-Issuance requirements and Post-Issuance requirements.

- **Coupon:** The interest rate that the issuer agrees to pay each year is called the coupon rate; the coupon is the annual amount of the interest payment and is found by multiplying the par value by the coupon rate.

- **Credit ratings:** Reviews the creditworthiness of an entity that is in the process of or has already issued debt.

- **Credit rating agencies:** A credit rating agency is a company that reviews the creditworthiness of an entity that is in the process of or has already issued debt.

- **Currency fluctuations:** A natural outcome of floating exchange rates, which is the norm for most major economies. Numerous factors influence exchange rates, including a country's economic performance, the outlook for inflation, interest rate differentials, capital flows and so on.

- **Debt distress:** When a country is unable to fulfil its financial obligations and debt restructuring is required.

- **Debt-for-Nature Swaps:** An agreement that reduces a developing country's debt stock or service in exchange for a commitment to protect nature from the debtor-government. It is a voluntary transaction whereby the donor(s) cancels the debt owned by a developing country's government. The savings from the reduced debt service are invested in conservation projects.

- **Debt service:** The amount required to cover the payment of interest and principal on a loan or other debt for a particular time period.

- **Debt sustainability:** A country's public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default.

- **Debt Sustainability Framework:** The main tool for multilateral institutions and other creditors to assess risks to debt sustainability in Lower-Income Countries (LICs).

- **Environmental, Social, and Governance (ESG) standards:** A set of standards that socially conscious investors use to screen investments.

- **Face Value:** Of a bond is the amount that the issuer agrees to repay the bondholder at or by the maturity date. Also known as par value, principal, redemption value or maturity value.

- **Financial portfolio:** A collection of investments and holdings like stocks, bonds, mutual funds, commodities, crypto, cash, and cash equivalents.

- **Fixed Income Security:** A fixed income security is a financial obligation of an entity (the issuer) who promised to pay a specified sum of money at specified future dates

- **Green Bond Principles:** The Green Bond Principles (GBP) seek to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment.

- **Green Bonds:** These are bonds devoted to financing projects or activities with positive environmental and climate impacts.

- **Greenium:** Or green premium, refers to pricing benefits based on the logic that investors are willing to pay extra or accept lower yields in exchange for sustainable impact.

- **Greenwash:** Greenwashing is when the management team within an organization makes false, unsubstantiated, or outright misleading statements or claims about the sustainability of a product or a service, or even about business operations more broadly.

- **Intermediary:** An entity that acts as the middleman between two parties in a financial transaction, such as a commercial bank, investment bank, mutual fund, or pension fund.

- **Investor:** Any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns.

- **Issuance:** Synonym of issue.

- **Issue:** process of offering securities in order to raise funds from investors.

- **Issuer:** A legal entity that develops, registers and sells securities to finance its operations. Issuers may be corporations, investment trusts, or domestic or foreign governments.

- **Liquidity:** A company's ability to convert assets to cash or acquire cash—through a loan or money in the bank—to pay its short-term obligations or liabilities.

- **Maturity:** The number of years until the face value of a bond is paid.

- **Nature-Performance Bonds (NPBs):** NPBs are bonds in which an agreement is made between the debtor and creditor country such that achievement of pre-set nature-related targets triggers relief on the debt or debt service burden.

- **Premium:** The total cost of an option or the difference between the higher price paid for a fixed-income security and the security's face amount at issue.

- **Principle of Responsible Investing:** The six Principles for Responsible Investment offer a menu of possible actions for incorporating ESG issues into investment practice.

- **Proceeds:** The funds received by the issuer from investors when the bond is initially sold, which can be directed toward productive activities to support an enterprise.

- **Reserve:** Assets that are readily available to and controlled by monetary authorities for direct financing of payment imbalances.

- **Return for investors:** Also known as a financial return, in its simplest terms, is the money made or lost on an investment over some period of time.

- **Risk for investors:** Any uncertainty with respect to the investments made that has the potential to negatively impact the investor's financial welfare.

- **Security:** A fungible, negotiable financial instrument that represents some type of financial value, usually in the form of a stock, bond, or option.

- **Solvency:** The ability of a state to meet its long-term debts and other financial obligations ie. having enough money to pay everything that is owed to others.

- **Stress tests:** An analytical technique to show how a financial services company or bank will be affected by certain financial events or situations.

- **Sustainability Linked Bonds (SLB):** Bonds that link the coupon rate with the issuer’s achievement of climate or sustainable development goals.

- **Tenor:** the period of credit or installments given to the debtor and must be paid to the lending company.

- **Thematic Bonds:** Fixed-income debt securities issued by both public and private sector entities on the condition that the funds obtained are used to finance projects with a positive social and environmental impact.

- **Use-of-Proceeds:** Use of the funds received by the issuer from investors when the bond is initially sold, which can be directed toward productive activities to support an enterprise.