Lending and borrowing of capital between financial institutions
Wholesale funding is typically less expensive for banks to service than deposit funding. Banks also use wholesale funding because they originate more loans than they have deposits. Can also help to manage interest rate risk on balance sheet.

- ↳ Interbank deposits → Term of overnight to 1 year.
  - ↳ Unsecured and require a line of credit to be in place
- → CD
- → Central bank funds

Repos

↳ Collateral in high demand is called 'special' → Lower repo rate on special collateral than 'general'

→ Seller retains rights to coupons paid on collateral

→ Reverse repo → Buy the underlying and then re-sell at pre-agreed price/time → To recieve repo rate

→ If delivery of capital is not required then the repo rate is higher

Fixed income valuation

Price of bond is PV of future cash flow

1 Estimate cash flows
  ↳ Some bonds have uncertain CF (e.g. Callable floating rate)
2 Determine required rate of return
  ↳ Market discount rate
  → YTM = RFR + Spread
3 Discount to PV

When the coupon rate < Market required → Price < Par and vice versa