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BANKING ENGLISH FOR STUDENTS OF FINANCE

МИНИСТЕРСТВО ОБРАЗОВАНИЯ РЕСПУБЛИКИ БЕЛАРУСЬ

УЧРЕЖДЕНИЕ ОБРАЗОВАНИЯ
«БРЕСТСКИЙ ГОСУДАРСТВЕННЫЙ ТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ»

Кафедра иностранных языков экономических специальностей

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BANKING ENGLISH FOR STUDENTS OF FINANCE

Сборник текстов для чтения на английском языке
для студентов экономического факультета специальности
«Финансы и кредит»

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Сборник текстов для чтения предназначен для студентов второго курса специальности «Финансы и кредит».

Целью сборника является подготовка студентов к самостоятельному чтению и пониманию оригинальной литературы по специальности и профессионально ориентированной устной речи, соответствующей запросам современного специалиста.

Сборник состоит из 8 разделов, в которые включены тексты следующей тематики: деньги, банковское дело, структура и услуги банка, банковские платежи, финансовые учреждения и т.д. Отбор текстового материала осуществлен с учетом информационных потребностей студентов экономического факультета специальности «Финансы и кредит».

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ОГЛАВЛЕНИЕ

UNIT 1 MONEY

Answer the following questions:

Neither a borrower nor a lender be.

From 'Hamlet' by William Shakespeare

1. Have you ever borrowed money from anyone?
2. Who from? How much?
3. Have you ever lent money to anyone?
4. Who to? How much?
5. Are you in debt at the moment? (i.e. Do. you owe anyone any money?)
6. Does anyone owe you any money?
7. Who? How much?

Annual income twenty pounds, annual expenditure nineteen and six, result happiness.

Annual income twenty pounds, annual expenditure twenty pounds and six, result misery.

from 'David Copperfield' by Charles Dickens

1. Do you spend more than you earn, or less than you earn?
2. Do you have a budget for your money?
3. Do you keep a record of your expenses?

Text 1.1 INTRODUCTION

(1) Money is one of man's greatest inventions and the fact that all but the least developed of human societies use money indicates that it is an essential tool of civilization. In the absence of some form of money, exchange may take the form of barter which is the direct exchange of goods and services for goods and services. Barter will serve man's requirements quite adequately when he provides most of his needs directly and relies upon market exchanges for very few of the things he wants. As the extent of specialisation increases, the barter system proves very inefficient and frustrating. In the simplest societies each family will provide by its own efforts most of its needs and perhaps some small surpluses. A farmer will exchange any small surplus of food, wool or hides for the surpluses of other producers. But this system of exchange becomes very cumbersome as economic activities become more specialised. A specialist metal worker must seek out a large number of other specialists in order to obtain, by barter, the variety of goods he needs to satisfy his daily wants. The great disadvantage of barter is the fact that it depends upon a 'double coincidence of wants'. A hunter who wants to exchange his skins for corn must find, not merely a person who wants skins, but someone who wants skin and has a surplus of corn for disposal. The alternative is to exchange his skins for some other article and they carry out a series of similar exchanges until he finally gets his corn. Time and energy which could be devoted to production is spent on a laborious system of exchange.

(2) Quite early in his history man discovered a much more convenient arrangement. The use of some commodity as a medium of exchange makes exchange triangular and removes the major difficulty of the barter system. If a commodity is generally acceptable in exchange for goods and services, it is money. A producer now exchanges his goods for money and the money can be exchanged for whatever goods and services he requires.

(3) The functions of money.

1. A medium of exchange.

As we have already explained, the use of money as a medium of exchange makes possible a great extenuation of the principle of specialisation. In an advanced society the use of money allows us to exchange hours of labour for an amazing variety of goods and services. We can exchange, for example, two weeks' labour for a holiday abroad just as easily as we can exchange it for a piece of furniture or a year's rent on a television set. Such exchanges are taken for granted yet they would be inconvenient without the use of money.

2. A measure of value.

The first step in the use of money was probably the adoption of some commodity as a unit of account or measure of value. Money, most likely, came into use within the barter system as a means whereby the values of different goods could be compared. The direct exchange of goods for goods would raise all sorts of problems regarding valuation. For example 'How many bushels of corn are equal in value to one sheep, if twenty sheep exchange for three cows and one cow exchanges for ten bushels of corn?' The problem of exchange rates is easily solved when all other commodities are valued in terms of a single commodity which then acts as a standard of value. Money now serves as such a standard and when all economic goods are given money values (i.e. prices), we know, immediately, the value of one commodity in terms of any other commodity.

3. A store of value.

Once a commodity becomes universally acceptable in exchange for goods and services, it is possible to store wealth by holding a stock of this commodity. It is a great convenience to hold wealth in the form of money. Consider the problems of holding wealth in the form of some other commodity, say wheat. It may deteriorate, it is costly to store, may be insured, and there will be significant handling costs in accumulating and distributing it. In addition, its value may fall when it is being stored. The great disadvantage of holding wealth in the form of money has become very apparent in recent years — during periods of inflation its exchange value falls.

4. A means of making deferred payments.

An important function of money in the modern world, where so much business is conducted on the basis of credit, is to serve as a means of deferred payment. When goods are supplied on credit, the buyer has immediate use of them but does not have to make an immediate payment. The goods can be paid for three, or perhaps six months after delivery. In the case of hire purchase contracts, the buyer takes immediate delivery but pays by means of installments spread over one, two, or three years.

(4) A complex trading organisation based upon a system of credit can only operate in a monetary economy. Sellers would be most unlikely to accept promises to pay in the future which were expressed in terms of commodities other than money. They would have no idea how much of the commodities they would need in the future, and if they do not want them, they face the trouble and risks involved in selling them. Sellers will accept promises to pay expressed in terms of money because, whatever the pattern of their future wants, they can be satisfied by using money.

Text-Based Activities

I Fill in the missing words: *granted, convenience, commodity, money, inventions, barter, valuation, exchange.*

1. Money is one of man's greatest....
2. In the absence of some form of money, exchange may take the form of....
3. If a... is generally acceptable in exchanging for goods and services, it is ....
4. Such exchanges are taken for....
5. The ... of goods for goods would raise all sorts of problems regarding....
6. It is a great... to hold wealth in the form of money.

II Find synonyms among the following words. Use them in sentences of your own.

means, form, tool, frustrating, obtain, useless, need, instrument, shape, get, medium, commodity, general, require, labour, store, common, article, work, stock, deteriorate, significant, spoil, essential, apparent, conduct, purchase, evident, carry out, buy

III Find antonyms among the following words. Make up sentences with them.
absence, increase, major, spread, presence, same, reduce, minor, accumulate, different

IV Fill in the missing prepositions.
1. Monetary policy is concerned with the cost... money.
2. Bank-notes and coins are not the most important form ... money ... developed economies.
3. Cheques didn't come ... general use ... the second half of the seventeenth century.
4. A payment from one person ... another merely requires that the banker reduces the amount ... one deposit and increases it... another.
5. The transmission ... payments ... means ... cheques creates problems when the person making the payment has an account... a different bank... the person receiving the payment.
6. Most countries have a central bank, which is responsible ...the operation ...the banking system.
7. Several merchant banks date back ... the nineteenth century.
8. ... recent years there has been a considerable extension... the range... financial services offered... building societies.

V Translate the following word combinations.
прямой обмен товарами и услугами, с ростом специализации, ряд подобных обменов, гораздо более удобное средство, основная сложность бартерной системы, в развитом обществе, предмет мебели, без использования денег, правый шаг, проблема обменных курсов, запас товаров, большое удобство, огромный недостаток, в период инфляций.

VI Answer the following questions:
1. What is barter?
2. When may exchange take the form of barter?
3. When is barter inefficient and frustrating?
4. What are the main functions of money?
5. Why has it become unprofitable to hold wealth in the form of money in recent years?
6. Why is money a perfect means of deferred payments?
7. How does a complex trading organisation operate in a monetary economy?

Text 1.2 HISTORY OF MONEY

Early history: blood-money, bride-money
Stone Age: silver and other precious metals
3rd millennium BC: earliest banking (Babylon)
2200 BC: standardized silver ingots
700 BC: coins (Lydia)
500 BC: international banking
405 BC: currency debasement (Athens)
300 BC: giro system (Egypt)
118 BC: fiat money (China)
800 AD: printed banknotes (China)
1000 AD: severe inflation (China)
17th century: modern bank notes (Amsterdam)

(1) There are numerous myths about the origins of money. The concept of money is often confused with coinage. Coins are a relatively modern form of money. Their first appearance was probably among the Lydians, in Minor Asia in the 7th century BC. And whether these coins were used as money in the modern sense has also been questioned.

(2) To determine the earliest use of money, we need to define what we mean by money. We will return to this issue shortly. But with any reasonable definition the first use of money is as old as human civilization. The early Persians deposited their grain in state or church granaries. The receipts of deposit were then used as methods of payment in the economies. Thus, banks were invented before coins. Ancient Egypt had a similar system, but instead of receipts they used orders of withdrawal - thus making their system very close to that of modern checks. In fact, during Alexander the Great's period, the granaries were linked together, making checks in the 3rd century BC more convenient than British checks in the 1980s. The Egyptians had in fact invented the first giro system.

(3) However, money is older than written history. Recent anthropological and linguistic research indicates that not only money is very old, but its origin has little to do with trading, thus contradicting another common myth. Rather, money was first used in a social setting. Probably at first as a method of punishment. Dowries were probably also an early use. These early origins have left their traces in our language - as in 'pay one's dues'

(4) Early Stone Age man began the use of precious metals as money. Until the invention of coins, metals were weighed to determine their value. Counting is of course more practical, the first standardized ingots appeared around 2200 BC. Other commonplace objects were subsequently used in the abstract sense, for example miniature axes, nails, swords, etc.

Full standardization arrived with coins, approximately 700 BC. The first printed money appeared in China, around 800 AD. The first severe inflation was in the 11th century AD.

Text-Based Activities

I Decide which of the following statements are correct.

1. There are some myths about the origin of money.
2. The first appearance of printed money was among Lydians.
3. In the modern sense coins were used as money in the 7th century BC in Asia Minor.
4. The early Persians deposited their grains in state granaries.
5. Ancient Egyptians had invented the first giro system.
6. The origin of money has little to do with trading.
7. Early Stone Age man began the use of valuable papers as money.
8. Nails, swords, etc. were used in the sense of money.
9. Full standardization arrived with coins in the 12th century.

II Retell the text.

Text 1.3 HYSTORY OF MONEY. COINS

Read the passage and choose a suitable heading for each paragraph from the list below.

1. Superiority of silver and gold coins.
2. History of coins.
3. Qualities of good coinage.
4. Present-day forms of money.

(1) Money means coins, banknotes and cash in the bank account. We use it to make payments. Nowadays we know that the units of money must have certain qualities to be successful. They must be:

1. Standard. They must all be of the same kind, look the same, weigh the same, all be of the same type, shape, size and quality.
2. Durable. They must be strong and long-lasting, so that they are a store of value and do not wear out easily.
3. Scarce. They must be difficult to come by to keep their value.
4. Acceptable. They must be accepted as a medium of exchange in a society or country for buying and selling, that is they must be legal tender.

5. Portable. They must be easy to carry.
6. Divisible. It must be possible to divide the units of money of large value into smaller values.

(3) In the past many things were used as the medium of exchange — corn, furs, rice, tobacco, salt tea, rum — there is no end to them. In lime people realized that metals were superior to the commodities previously mentioned because coins made from metal are homogeneous, portable and easily divisible by weight.

(4) The Ancient Britons and Greek used iron, the Romans used copper but gradually silver and gold replaced them, because they keep indefinitely and provide a greater value in a smaller bulk. Another advantage is that all gold and silver of a certain weight and fineness is the same.

(5) The advent of coinage is a step forward because coins are free from most of the disadvantages of earlier forms of money. The first coins are credited to China around about 1.000. B.C. Originally people minted coins locally, gradually the state accepted responsibility for both the manufacture and the quality of coinage.

Text-Based Activities

I Decide which of the following statements are correct.
1. Money means cash, banknotes and credit cards.
2. Coins are free from all disadvantages of earlier forms of money.
3. A great variety of coins circulated in Europe in the Middle Ages.
4. First coins are about three thousand years old.
5. Silver and gold coins have greater value than their face value.

Text 1.4 HYSTORY OF MONEY. BANK NOTES

Read the passage. Choose a suitable title for the passage from the list below. Support your point.

a) Role of gold and silversmiths
b) Development of paper money
c) Problem of safe keeping money and valuables
d) Beginning of banks

(1) After coins came notes. The hardest problem for anyone with money then was to find somewhere safe to keep it. It seemed sensible to look around for someone who had vaults and safes for their own business, and then to ask them to look after the money. Gold and silversmiths had such safes, because their trade was traffic in coin and bullion, and they needed somewhere secure to keep their stocks.

(2) So it came about in the seventeenth century that goldsmiths took these deposits for safe keeping. They issued a receipt which acknowledged the deposit of the money and incorporated a promise to return it on demand. More and more people came to hold these receipts and they began to circulate for value among merchants. Gradually it became the practice to issue these deposit receipts in standard amounts, e.g. 10, 50, 100. These receipts were very convenient, as they could be passed on, if one person owed money to another, and change hands many times, and still be good for payment. They came to be trusted and became usual in payment, as easier, lighter and quicker to handle than a lot of coin. The receipts were now expressed to be payable to bearer. People stopped calling them receipts, and began to describe them as goldsmiths' notes. So the goldsmiths began to exercise some of the functions of a banker. They kept money and valuables on safe deposit, and they issued notes. It was not long before they developed another important banking function, that of lending.

(3) In the beginning the merchant who deposited his money with the goldsmith expected to pay a fee, or commission, for having his money kept safe. In time the goldsmith learned that he need not keep the whole of the money left with him. In other words, some of his receipts were always out, circulating in the hands of the merchants. So the goldsmith always had some cash in hand, and he started to lend this out, charging interest. This was the beginning of banks.

Text-Based Activities

I Discuss what evidence there is in the text for the following statements:

1. Receipts issued in standard amounts were very convenient.
2. Goldsmiths began to exercise some of the functions of a banker.

II Make a list of questions you would ask a goldsmith if you wanted to keep your valuables safe with him.

III Enact the imaginary conversation with the goldsmith.

Text 1.5 THE U.S. MONEY SUPPLY

(1) A nation's money supply is based on either the production of a commodity or governmental fiat. Commodity money typically is based on valuable metals, particularly gold or silver. When a nation uses commodity money, the size of the money supply is determined by the cost of producing the commodity and the rate of production. During the late 1800s and early 1900s, U.S. currency was based on the gold standard, which is to say that the United States promised to redeem its currency for a specified amount of gold.

(2) Fiat money, on the other hand, does not have intrinsic value. It has value because people are willing to accept it. To increase a fiat money's acceptability, a government may make the currency legal tender, which means people are required by law to accept the money at its face value. Today the United States is on a fiat money system, in which the national government through its central bank, the Federal Reserve System, controls the money supply. U.S. currency is legal tender.

(3) Yet the money supply in the United States consists of more than just coins and paper money. Checking account deposits are considered a form of money because they are spent when people write checks. In fact, in the United States, about three-fourths of all payments are made by check. When commercial banks make loans, they can create checking deposit money by giving the borrowers additional credit in their deposit accounts. The Federal Reserve System maintains control over this money creation by administering reserve requirements, rules which require that commercial banks hold currency in their vaults — or deposits with Federal Reserve Banks — in a set minimum proportion to their deposit liabilities. By controlling the dollar amount of the reserves, the Federal Reserve thus controls the dollar volume of bank loans.

(4) Economists measure the money supply in several ways that differ according to which assets are included in the measurements. One measure includes deposits in all interest-bearing accounts that can be used like checking accounts. Another includes savings accounts that cannot automatically be converted to make purchases. Banks can require advance notice of withdrawals from these accounts.

(5) When the money supply increases, people have more money to spend, and demand for goods and services increases. As demand increases, businesses hire additional workers to increase output. This is an economic growth scenario. But, if output does not keep pace with demand, prices increase. When prices rise continuously, inflation results.

Text-Based Activities

I Answer the following questions:

1. What is commodity money?
2. What is fiat money?
3. What are the forms of money in the United States?
4. What is the role of the Federal Reserve System in money creation?
5. How do economists measure the money supply?
6. Can you describe the money supply in Belarus?

Text 1.6 MONITARY AND FISCAL POLICY

Read the text and answer the following question.

What goals does fiscal policy promote?

(1) The government can also use its own spending and taxing activities to achieve specific objectives. This is called fiscal policy. By increasing or decreasing its spending or taxing programs, the federal government may reduce or increase demand for goods and services. If the government reduces its own spending, it buys less from businesses, reducing sales and earnings, and people have less money to spend. Similarly, if the government raises taxes, people have less money to spend. Moreover, spending and taxing policies work together to increase or decrease aggregate demand. For example, if the government taxes to a greater extent than it spends, it causes a net reduction in the flow of income to people and businesses. Because this reduces aggregate demand for goods and services, it is a method for fighting inflation.

(2) Fiscal policy uses budget deficits or surpluses to promote economic stability and growth. In the United States, some fiscal policy tools work automatically — without action being taken by the president or Congress. The progressive income tax, for example, is generally considered to promote stability automatically. It tends to reduce the government's collection of revenue when personal and business incomes are declining, and thus helps offset the cutbacks in spending that accompany declining incomes. During business expansions, however, federal tax collection tends to rise fairly quickly and thus reduce inflationary pressures. During postwar business declines, Congress has sometimes legislated emergency spending measures, such as temporary increases in public works expenditures, as additional means of offsetting cutbacks in private spending and preventing unemployment.

(3) Yet there are also problems associated with the use of fiscal policy. Many people object to a reduction in government spending because this could mean a reduction in funds used to help provide education, health care and other services. Higher taxes are unpopular with both individuals and businesses. In addition, the use of fiscal policy to cause a sharp reduction in demand is somewhat controversial because it tends not only to reduce inflation but also to increase unemployment.

Text-Based Activities

I Decide which of the following statements are correct.

1. Fiscal policy is the government's spending and taxing policies.
2. The federal government reduces or increases demand for goods and services by increasing or decreasing its spending or taxing programs.
3. If the government reduces its own spending, it buys more from businesses, and people have more money to spend.
4. If the government taxes to a greater extent than it spends, it causes an increase in the flow of income to people and business.
5. All fiscal policy tools work automatically in the United States.
6. The progressive income tax promotes stability automatically.
7. The use of fiscal policy may not only reduce inflation but also increase unemployment.

II Answer the following questions:

1. What is fiscal policy?
2. How may the federal government reduce or increase demand for goods and services?
3. What causes a net reduction in the flow of income to people and businesses?
4. What does fiscal policy use to promote economic stability and growth?
5. How does the progressive income tax work?
6. Why do many people object to a reduction in government spending?
7. Why are higher taxes unpopular with both individuals and businesses?
8. What can the use of fiscal policy cause?

III Which of the following expresses the main idea of the text best of all?

1. Fiscal policy and its objectives.
2. Spending and taxing activities of the government.
3. The use of budget deficits or surpluses by fiscal policy.
4. Problems of the use of fiscal policy.

IV Give the main points of the text in 5 — 9 sentences. You may use the following clichés:

The text deals with... .

The text gives a valuable information on... .

Attention is drawn to the fact that... .

... are discussed.

Underlined is the conclusion that... .

V Speak about the use of fiscal policy.

UNIT 2 BANKING

Text 2.1 INTRODUCTION

(1) Banking is the business of providing financial services to consumers and businesses. A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts.

(2) Although the type of services offered by a bank depends upon the type of bank and the country, services provided usually include:

- taking deposits from the general public and issuing checking and savings accounts;
- making loans to individuals and businesses;
- cashing cheques;
- facilitating money transactions such as wire transfers and cashiers checks;
- issuing credit cards and debit cards;
- storing valuables, particularly in a safe deposit box.

Types of Bank

(1) Banks' activities can be characterised as retail banking, dealing directly with individuals and small businesses, and investment banking, relating to activities on the financial markets. Most banks are profit-making, private enterprises. However, some are owned by government, or are non-profit making.

(2) Central banks are non-commercial bodies or government agencies tasked with responsibility for controlling interest rates and money supply across the whole economy. They act as Lender of last resort in event of a crisis.

(3) Commercial bank is the term used for a normal bank to distinguish it from an investment bank. Since the two no longer have to be under separate ownership, some use the term "commercial bank" to refer to a bank or a division of a bank that mostly deals with corporations or large businesses.

(4) Community development banks are regulated banks that provide financial services and credit to underserved markets or populations.

(5) Private banks manage the assets of high net worth individuals.

Offshore banks are banks located in jurisdictions with low taxation and regulation. Many offshore banks are essentially private banks.

(6) Savings banks traditionally accepted savings deposits and issued mortgages. Today, some countries have broadened the permitted activities of savings banks.

Investment banks "underwrite" (guarantee the sale of) stock and bond issues and advise on mergers.

(7) Merchant banks were traditionally banks which are engaged in trade financing. The modem definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike Venture capital firms, they tend not to invest in new companies.

(8) Universal banks, more commonly known as a financial services company, engage in several of these activities. Almost all large financial institutions are diversified and engage in multiple activities. In Europe and Asia, big banks are much diversified groups that, among other services, distribute also insurance.

(9) Online banks, which usually have no brick and mortar branches, first gained attention by offering higher rates on deposit products than traditional banks. While that is still true to some extent, the rate differences are not as significant as in the past. Most bank Web sites have an "About Us" page that describes the institution. There one can find information regarding the official name, their charter, address of the bank's headquarters and information about its insurance coverage.

Text-Based Activities

I Decide which of the following statements are correct.

1. Banking is the business of providing financial services to consumers only.
2. The type of services offered by a bank depends on the type of bank and the country.
3. Central banks are commercial bodies and the government has no rights to control their activities.
4. Private banks manage the assets of rich people.
5. All countries have broadened the permitted activities of savings banks.
6. Merchant banks were traditionally banks which were engaged in providing capital to new companies.
7. In Europe and Asia universal banks also distribute insurance.
8. Online banks provide their services through the Internet only.

II Answer the following questions:

1. What kind of business is banking?
2. What do services provided by a bank depend on?
3. What do services offered by a bank include?
4. Does retail banking deal with individuals only?
5. Why are central banks non-commercial bodies?
6. What is the term "commercial bank" used for?
7. Do private banks deal with individuals?
8. What are the activities of saving banks?
9. What kind of a bank is an offshore bank?
10. Are merchant banks engaged in trade financing?

Dialogue

Andrew White works for a local newspaper. He is a reporter. He interviews people. His interviewee is a banker. His name is Mr. Smith. Complete Andrew's questions by putting in the missing words.

Andrew: Mr. Smith, what bank ____ you run?
Mr. Smith: What bank do I run? I run a small community bank.
Andrew: Who ____ the bank's foundation?
Mr. Smith: Small depositors make the bank's strong foundation.
Andrew: What ____ they find attractive?
Mr. Smith: I believe they find attractive the services we provide and their quality.
Andrew: What services ____?
Mr. Smith: Our bank provides a wide range of services, but as it is a small bank we mostly serve individual clients.
Andrew: ____the quality of life in your community?
Mr. Smith: Of course, our bank's activity affects the quality of life in our community, especially loans we grant to small businesses.
Andrew: ____optimistic about the bank's future?
Mr. Smith: Yes, I am very optimistic about the bank's future. We welcome new clients and look forward to our mutual business successes.
Andrew: Thank you very much, Mr. Smith

I Make up your own dialogues on the basis of the above dialogue and text.

Text 2.2 BANKS IN THE ECONOMY

(1) Banking services are extremely important in a free market economy and serve two primary purposes. First, by supplying customers with the basic mediums-of-exchange (cash, checking accounts, and credit cards), banks play a key role in the way goods and services are purchased. Without these familiar methods of payment, goods could only be exchanged by barter (trading one good for another), which is extremely time-consuming and inefficient. Second, by accepting money deposits from savers and then lending the money to borrowers, banks encourage the flow of money to productive use and investments. This in turn allows the economy to grow. Without this flow, savings would sit idle in someone's safe or pocket, money would not be available to borrow, people would not be able to purchase cars or houses, and businesses would not be able to build the new factories the economy needs to produce more goods and grow. Enabling the flow of money from savers to investors is called financial intermediation, and it is extremely important to a free market economy.

(2) A bank raises funds by attracting deposits, borrowing money in the inter-bank market, or issuing financial instruments in the money market or a capital market. The bank then lends out most of these funds to borrowers.

However, it would not be prudent for a bank to lend out all of its balance sheet. It must keep a certain proportion of its funds in reserve so that it can repay depositors who withdraw their deposits. Bank reserves are typically kept in the form of a deposit with a central bank. This behaviour is called fractional-reserve banking and it is a central issue of monetary policy.

(3) Banks are susceptible to many forms of risk which have triggered occasional systemic crises. Risks include liquidity risk (the risk that many depositors will request withdrawals beyond available funds), credit risk (the risk that those that owe money to the bank will not repay), and interest rate risk (the risk that the bank will become unprofitable if rising interest rates force it to pay relatively more on its deposits than it receives on its loans), among others.

Banking crises have developed many times throughout history when one or more risks materialize for a banking sector as a whole. Prominent examples include the U.S. Savings and Loan crisis in 1980s and early 1990s, the Japanese banking crisis during the 1990s.

(4) The combination of the instability of banks as well as their important facilitating role in the economy led to banking being thoroughly regulated. The amount of capital a bank is required to hold is a function of the amount and quality of its assets. Major banks are subject to the Basel Capital Accord promulgated by the Bank for International Settlements. In addition, banks are usually required to purchase deposit insurance to make sure smaller investors are not wiped out in the event of a bank failure.

Another reason banks are thoroughly regulated is that ultimately, no government can allow the banking system to fail. There is almost always a lender of last resort—in the event of a liquidity crisis (where short term obligations exceed short term assets) some element of government will step in to lend banks enough money to avoid bankruptcy.

Bank Size Information

Here are top five banking groups in the world ranked by tier of their capital in 2005 (in U.S. dollars)

Citigroup — 73 billion

JP Morgan Chase — 69 billion

HSBC — 67 billion

Bank of America — 64 billion

Royal Bank of Scotland — 43 billion

Text-Based Activities

I Answer the following questions:

1. What purposes do banking services serve?
2. What is called financial intermediation?
3. Is it important to a free market economy?
4. In what way does a bank raise funds?
5. What is fractional-reserve banking?
6. Are banks susceptible to any form of risk?
7. Why are banks thoroughly regulated?

Text 2.3 HISTORY OF BANKING

(1) Many of today's banking services were first practiced in ancient Phoenicia, China, and Greece, where trade and commerce flourished. The temples in Babylonia made loans from their treasuries as early as 2000 BC. The temples of ancient Greece served as safe-deposit vaults for the valuables of worshipers. The Greeks also coined money and developed a system of credit. The Roman Empire had a highly developed banking system, and its bankers accepted deposits of money, made loans, and purchased mortgages. Shortly after the fall of Rome in 476 AD., banking declined in Europe.

(2) The increase of trade in the 13th-century Italy prompted the revival of banking. The moneychangers of the Italian states developed facilities for exchanging local and foreign currency. Soon merchants demanded other services, such as lending money, and gradually bank services were expanded.

(3) The first bank to offer most of the basic banking functions known today was the Bank of Barcelona in Spain. Founded by merchants in 1401, this bank held deposits, exchanged currency, and carried out lending operations. It also is believed to have introduced the bank check. Three other early banks, each managed by a committee of city officials, were the Bank of Amsterdam (1609), the Bank of Venice (1587), and the Bank of Hamburg (1619). These institutions laid the foundation for modern banks of deposit and transaction.

(4) For more than 300 years, banking on the European continent was in the hands of powerful statesmen and wealthy private bankers, such as the Medici family in Florence. During the 19th century, members of the Rothschild family became the most influential bankers in all Europe and probably in the world. This international banking family was founded by German financier Mayer Amschel Rothschild (1743-1812), but it soon spread to all the major European financial capitals.

(5) The Bank of France was organized in 1800 by Napoleon. The bank had become the dominant financial institution in France by the mid-1800s. In Germany, banking experienced a rapid development about the middle of the 19th century with the establishment of several strong stock-issuing, or publicly owned banks.

(6) Banking in the British Isles originated with the London goldsmiths of the 16th century. These men made loans and held valuables for safekeeping. By the 17th century English goldsmiths created the model for today's modern fractional reserve banking—that is, the practice of keeping a fraction of depositors' money in reserve while extending the remainder to borrowers in the form of loans. Customers deposited gold and silver with the goldsmiths for safekeeping and were given deposit receipts verifying their ownership of the gold deposited with the goldsmith. These receipts could be used as money because they were backed by gold. But the goldsmiths soon discovered that they could take a chance and issue additional receipts against the gold to other people who needed to borrow money. This worked as long as the original depositors did not withdraw all their gold at one time. Hence, the amount of receipts or claims on the gold frequently exceeded the actual amount of the gold, and the idea that bankers could create money was born.

Text-Based Activities

I Answer the following questions:

1. Where were banking services first practiced?
2. What prompted the revival of banking?
3. What was the name of the first bank that offered the basic functions known today?
4. Who were the most influential banks in Europe in the 19th century?
5. When did banking on the British Isles originate?

UNIT 3 CENTRAL BANKING

Text 3.1 INTRODUCTION

(1) Governments create central banks to perform a variety of functions. The functions actually performed vary considerably from country to country. Broadly speaking, central banks serve as the government's banker, as the banker to the banking system, and as the policymaker for monetary and financial matters.

(2) As the government's banker, the central bank can act as the repository for government receipts, as the collection agent for taxes, and as the auctioneer for government debt. It can also act as a lender to the government and as the government's advisor on financial matters. As the banker for the country's banks, the central bank can act as the repository for bank reserves, as the supervisor and regulator of banks, as the facilitator of interbank services such as check clearing and money transfers, and as a lender when banks need money to honor deposit withdrawals or other needs for liquidity.

(3) As the country's monetary policymaker, the central bank controls the amount of credit and money available, the level of interest rates, and the exchange rate (the rate at which one nation's currency can be exchanged for another nation's). To achieve its monetary policy objectives, central bankers use a combination of policy tools. For example, the central bank may increase or decrease the amount of money (coin and currency) in circulation by buying or selling government debt instruments, such as bonds, on the open market. This policy tool is known as open market operations. Since interest rates are usually related to how much money and credit are available in the economy, the central bank can usually lower interest rates by buying bonds from the public with money. This increases the amount of money in the economy and lowers interest rates. To raise rates, the authority would sell bonds, thereby reducing the amount of money available to the public. The central bank could also cause a lowering or raising of interest rates by increasing or decreasing the amount of money banks must hold as a reserve against their deposits. By increasing reserves, the central bank forces banks to hold more money in their vaults, which means they can lend less money. Less money available for loans makes loans harder to get which, in turn, causes banks and other lenders to raise interest rates on loans.

(4) Central banks can be either privately owned or owned by the government. In Europe, central banks are owned and operated by the government. In the United States, commercial banks own the central bank, which is called the Federal Reserve.

Text-Based Activities

I Decide which of the following statements are correct.

1. Governments create central banks to perform a lot of functions.
2. The functions of central banks are the same in all countries.
3. The central bank sometimes controls the amount of money available.
4. The central bank can cause a lowering or raising of interest rates.
5. Central banks can be owned by the government only.

II Answer the following questions:

1. Why do governments create central banks?
2. What are the functions of the central bank?
3. Why does the central bank control the amount of credit and money available?
4. What are open market operations?
5. Are central banks privately owned?

Text 3.2 THE FEDERAL RESERVE SYSTEM

(1) The Federal Reserve Act of 1913 created the Federal Reserve System, commonly referred to as the Fed. Why the Federal Reserve System and not the Federal Reserve Bank? The Fed was designed as a system because Congress wanted a decentralized central bank. The decentralization was essentially geographic, reflecting people's desire for regional monetary independence.

(2) The need for such regional autonomy has since dissipated, but the structure remains intact. The Fed's structure is simple. It consists of 12 District Federal Reserve Banks, each serving a region of the country. Under this arrangement, a bank in a specific district would use its own District Federal Reserve as its central bank. In this way, banks in Omaha, Nebraska, or Ocala, Florida would not have to depend upon banking decisions made in New York.

(3) The Federal Reserve System is not owned by the government. Although created by and responsible to Congress, the Fed pursues an independent monetary policy which at times can conflict with government's economic policy. For example, the government may be pursuing a stimulative fiscal policy (lower taxes, increase government spending) while the Fed may be more interested in controlling inflation.

(4) Who owns the Fed, then, if not the government? Each District Federal Reserve Bank is owned by its member banks. Each member bank contributes 3 percent of its capital stock to the Federal Reserve Bank in its district and another 3 percent is subject to call by the Fed. These are what are known as a bank's "reserve requirements." All nationally chartered banks must be members of the Fed. The state chartered banks can choose to be members. Of the more than 12,000 banks in the country, fewer than 5,000 are chartered nationally; the rest remain state-chartered. Even though less than 13 percent of he state-chartered banks are members of the Federal Reserve System - 971 out of 7,653 banks in 1993 - they, along with nationally chartered banks hold more than 50 percent of all deposits in the USA's economy.

(5) The Federal Reserve System's main responsibility is to safeguard the proper functioning of the money system. It is the watchdog of money supply, interest rates, and the economy's price level. Obviously, if it's going to do that job at all, it has to monitor the activities of the nation's financial institutions, anticipate what they will do, prevent them from doing some things, encourage them to do others, and do all this without interfering too much in the conduct of private business. Impossible? Some people think so. But these same people are unable to imagine a modern economy operating without a central bank.

(6) The Fed's organizational structure is not very complicated. The nucleus of the Federal Reserve System is its Board of Governors, which meets in Washington, D.C. The Board consists of seven members, appointed by the President and confirmed by the Senate. Each serves a 14 year term. The Chairman is a board member appointed by the President to a four-year term. Chairmen may be reappointed, but they cannot serve longer than their 14 years on the Board. Typically, chairmen are reappointed for lengthy periods that overlap Republican and Democratic presidents. Paul Volcker was appointed by Jimmy Carter and twice reappointed by Ronald Reagan. Much earlier, William McChesney Martin chaired through the Eisenhower, Kennedy, and Johnson administrations and even into the early Nixon years.

(7) More often than not, Board members are drawn from within the banking industry, either from commercial banks or from the Fed's District Banks. Such ties to banking experience can be both helpful and problematic. While members must understand the complexities of banking, their strong connection to the industry seems to compromise, for some people, their role as guardians of the public trust.

(8)The 12 District Banks make up the second tier of the Fed's structure. Each is managed by a board of nine directors, six chosen by the member banks of the district, the other three appointed by the Board of Governors. The President of each district bank is selected by its nine directors.

(9) The nerve center of the Fed is its Federal Open Market Committee. Here, the Fed exercises monetary control over the economy through its open market operations. The 12 person committee is composed of all seven members of the Board of Governors who each have one vote, as do the President of the New York Fed, and four District Presidents who rotate voting on the Committee. Its composition reflects the power of the Board, the unique position held by the New York District, and the Fed's commitment to regional representation.

Text-Based Activities

I Answer the following questions:

1. Why was the Fed designed as a system but not a bank?
2. What is a bank's "reserve requirements"?
3. What is the main responsibility of the Federal Reserve System?
4. Is the Fed's organizational structure complicated?
5. Does the Board consist of five members?
6. Who appoints Chairman of the Fed?
7. Who selects the President of each district bank?
8. What is the nerve center of the Fed?

Dialogue

Read the dialogue in parts.

Conrad Morgan: I'm remitting by check on your bank an amount due on my note to a bank in Florida. Will that bank send the check directly to you for collection?

Woods Palmer: It could do that. But it'll probably send the check through the regular channels.

C. M.: What does that mean?

W. P.: Well, the bank to which your check is payable will send it to the Federal Reserve Bank in its Reserve District. The transit department of that bank will send it to the Federal Reserve Bank in our Reserve District. From there it's sent to us.

C. M.: How many Reserve Districts are there?

W. P.: There are twelve, with one Reserve Bank in District. Also, most of the larger banking institutions like ours are members of the System, and all checks and other items of exchange flowing through the System are cleared at par.

C. M.: *Par* means face value?

W. P.: Yes. And every bank that handles an item endorses it with recourse.

C. M.: Does that mean that if a check isn't honored by the drawee bank, it's finally returned to the payee, who's held liable for the amount?

W. P.: That's right.

C. M.: To become a member of the System, was your bank required to subscribe to any stock in the Reserve Bank in your District?

W. P.: Yes. And, to explain further, all national banks must be members of the System. Incorporated state banks, including commercial banks, mutual savings banks, trust companies, and industrial banks, may join the System.

C. M.: Other than handling items of exchange, what services do Federal Reserve Banks offer member banks?

W. P.: As fiscal agents of the United States Treasury, they assist in the issue and redemption of government bonds and the refinancing of bonds that have reached maturity. They'll also accept from us any paper that can be rediscounted, if our cash reserve becomes low.

I Fill in the missing prepositions: *on, for, of, with.*

1. We are remitting by check ... your bank an amount due on my note to a bank in Florida.
2. The Federal Reserve Banks perform a lot of services ... us.
3. The Federal Reserve Banks perform as representatives ... the agency that controls the currency and public funds of the United States.
4. Many of our dealings ... the Federal Reserve Banks concern the clearing of checks.

II Fill in the missing words: *drawee, endorsed with recourse, face value, fiscal, liable, payee, rediscounted, refinancing, subscribed, United States Treasury.*
1. When we became a member of the Federal Reserve System, we agreed to take a share in financing the System. We ... to some stock.
2. The Federal Reserve Banks perform a lot of services for us as representatives of the agency that controls the currency and public funds of the United States. This agency is called the ...
3. Anything having to do with public funds is a ... matter.
4. These banks assist us in other ways. If our cash reserve becomes low, they'll accept from us any notes that can be sold at a price less than their value at maturity. They'll accept any notes that can be ....
5. They help in the issuing of new bonds to replace ones that have matured. They help in ... bonds that have reached maturity.
6. Many of our dealings with the Federal Reserve Banks concern the clearing of checks. Checks flowing through the System are cleared at the value written on the face of the check. They're cleared at...
7. These checks are endorsed in such a way that the parties who endorse them must make payment if the other parties to the transaction refuse payment. The checks are ...
8. A party who endorses the check is ... for the amount.
9. The bank on which the check is drawn is called the ....
10. The party to whom a payment is made is called the ....

IV Make up 5 sentences using one of the following word combinations:
drawee bank, face value, fiscal agents, fiscal policy, transit department

Text 3.3 THE BANK OF ENGLAND

(1) The Bank of England is one of the oldest central banks, founded as a corporate body by an Act of Parliament in 1694. It started as a commercial bank with private shareholders and developed a thriving banking business. Although it was not brought into state ownership until 1946 the Bank had by then long behaved as a public institution carrying out public functions. These included acting as the Government's banker and arranging government borrowing.

(2) Today, the Bank's commercial banking activities are a historical footnote with just over 10,000 private account-holders largely made up of staff and pensioners of the Bank itself. The Bank's principal functions are carried out in pursuit of three objectives:

- To maintain the value of the nation's money
- To ensure the soundness of the financial system
- To promote the efficiency and competitiveness of the system.

(3) The Bank has three important groups of customers:

Commercial banks in the clearing system keep accounts at the Bank of England, using them at the end of each day when money is cleared. They must separately keep an agreed amount, currently 0.35%, of their sterling deposit base with the Bank in a non-interest bearing account; this is the capital ratio deposit and provides the main source of income for the Bank.

Government keeps its main banking accounts at the Bank of England so that payments of taxes to the Government and payments by the Government are ultimately made to and from the Bank. Surplus funds are invested in the money markets or used to reduce the Government's short term debt.

Foreign central banks keep accounts and gold at the Bank of England and may conduct foreign exchange and bullion business in London through the Bank.

(4) The Bank is responsible for arranging government borrowing or repaying debt and for

managing the National Debt. The Bank's principal role in government finance is to act on the Treasury's behalf to borrow money in the markets and from the public. The main forms of borrowing are through Treasury Bills, government bonds (known as gilts of gilt-edged stock) and occasional foreign exchange borrowings. The Bank is responsible for issuing and redeeming these securities and maintains a register of gilts.

(5) The Bank is directly involved in executing the Government's monetary policy, thus providing a framework for non-inflationary economic growth. Unlike some central banks, the Bank of England cannot act independently of government. However, when determining monetary policy the Bank has acquired a position which makes it virtually impossible for the Chancellor of the Exchequer to change interest rates for political rather than economic reasons.

(6) The Banking Act 1987 created a Board of Banking Supervision and increased the Bank's powers to modify the conduct of banking institutions, to investigate cases of illegal deposit-taking, to block bank mergers on prudential ground and to require information from banks. The Bank is also responsible for the supervision of the main wholesale markets in London for money, foreign exchange and gold bullion. The Bank may intervene in the foreign exchange markets to check undue fluctuations in the exchange value of sterling.

(7) The Bank has the sole right in England and Wales to issue banknotes which are no longer backed by gold but by government stock and other securities. Scottish and Northern Ireland banks have limited rights to issue notes but their issues must be covered by holdings of Bank of England notes. The responsibility for providing coins lies with the Royal Mint.

(8) The Bank's money market operations are designed to smooth out fluctuations in the flow of cash between government and the private sector. Shortages of money are offset by the Bank buying short-dated bills and maturities from the market and lending funds to the market. Normally, the pattern of government and Bank operations results in a shortage of cash in the market each day with the result that the Bank is the final provider of liquidity in the system and can help to implement and direct monetary policy by choosing the interest rates at which it provides funds.

(9) The Bank deals with the discount houses rather than directly with the commercial banks. When the Bank changes its dealing rate the commercial banks tend to follow suit promptly and change their own base rates from which deposit and lending rates are calculated.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. The Bank of England was founded by...
2. The Bank of England is responsible for...
3. The principal role of the Bank of England in government finance is...
4. The Bank of England is directly involved in ...
5. Foreign central banks keep accounts and gold at...
6. The Bank of England deals with ...

II Fill in the missing words: *redeeming, borrow, terms, monetary, banknotes.*

1. The Bank's principal role in government finance is to act on the Treasury's behalf to ... money in the markets and from the public.
2. The Bank is responsible for issuing and ... these securities and maintains a register of gilts.
3. The Bank of England is directly involved in executing the Government's ... policy, thus providing a framework for non-inflationary economic growth.
4. The Bank of England is responsible for the supervision of the main wholesale markets in London for money, foreign exchange and gold bullion under the ... of the Financial Services Act 1986.
5. The Bank of England has the sole right in England and Wales to issue ... which are no longer backed by gold but by government stock and other securities.

III Insert the prepositions: *through, by, in, with, at.*

1. The Bank of England is one of the oldest central banks, founded as a corporate body ... an Act of Parliament in 1694.
2. The Bank's commercial banking activities are a historical footnote ... just over 10,000 private account-holders largely made up of a staff and pensioners of the Bank itself.
3. Commercial banks ... the clearing system keep accounts at the Bank of England.
4. Government keeps its main banking accounts ... the Bank of England.
5. Foreign central banks keep accounts and gold at the Bank of England and may conduct foreign exchange and bullion business in London... the Bank.

IV Answer the following questions:

1. What bank is the oldest in Britain?
2. When was the Bank of England founded?
3. What are principal functions of the Bank of England?
4. What is the Bank of England responsible for?
5. What is the Bank of England involved in?
6. What Bank has the sole right in England and Wales to issue banknotes?

V Make up 10 sentences using one of the following word combinations.

the Royal Mint, fluctuations in the flow of cash, shortages of money, short-dated bills, lending funds, surplus of money, lending rates, short-term loans, to investigate cases of illegal deposit-taking, wholesale market.

UNIT 4 FINANCIAL INSTITUTIONS

Text 4.1 INTRODUCTION

(1) Banking institutions include commercial banks, savings and loan associations (SLAs), savings banks, and credit unions. The major differences between these types of banks involve how they are owned and how they manage their assets and liabilities.

(2) ***Commercial banks*** are so named because they specialize in loans to commercial and industrial businesses. Commercial banks are owned by private investors, called stockholders, or by companies called bank holding companies. The vast majority of commercial banks are owned by bank holding companies. (A holding company is a corporation that exists only to hold shares in another company.) The bank holding company form of ownership became increasingly attractive for several reasons. First, holding companies could engage in activities not permitted in the bank itself—for example, offering investment advice, underwriting securities, and engaging in other investment banking activities. But these activities were permitted in the bank if the holding company owned separate companies that offer these services. Using the holding company form of organization, bankers could then diversify their product lines and offer services requested by their customers. Second, many states had laws that restricted a bank from opening branches to within a certain number of miles from the bank's main branch. By setting up a holding company, a banking firm could locate new banks around the state and therefore put branches in locations not previously available.

(3) Commercial banks are "for profit" organizations. Their objective is to make a profit. The profits either can be paid out to bank stockholders or to the holding company in the form of

dividends, or the profits can be retained to build capital (net worth). Commercial banks traditionally have the broadest variety of assets and liabilities. Their historical specialties have been commercial lending to businesses on the asset side and checking accounts for businesses and individuals on the liability side. However, commercial banks also make consumer loans for automobiles and other consumer goods as well as real estate (mortgage) loans for both consumers and businesses.

Commercial banks have traditionally been the largest source of loans to small businesses. They also make consumer loans, including mortgages, and offer credit cards, deposit products and checking accounts for everyone from students to seniors.

(4) ***National banks*** are chartered, regulated and supervised by the Office of the Comptroller of the Currency; headquartered in Washington, D.C. National banks have "National" or "N.A." in their name. State banks are chartered, regulated and supervised by their state's banking division. The Federal Deposit Insurance Corporation is the federal regulator of state-chartered banks that don't belong to the Federal Reserve System.

(5) ***Savings and loan associations*** *(SLAs)* are usually owned by stockholders, but they can be owned by depositors as well. (If owned by depositors, they are called "mutuals.") If stock owned, the goal is to earn a profit that can either be paid out as a dividend or retained to increase capital. If owned by depositors, the objective is to earn a profit that can be used either to build capital or lower future loan rates or to raise future deposit rates for the depositor-owners. Traditional savings banks, also known as ***mutual savings banks*** (MSBs), on the contrary, have no stockholders, and their assets are administered for the sole benefit of depositors. Earnings are paid to depositors after expenses are met and reserves are set aside to insure the deposits. During the 1980s savings banks were in a great state of flux, and many began to provide the same kinds of services as commercial banks. Both SLAs and MSBs can now offer a full range of financial services, including multiple savings instruments; checking accounts; consumer, commercial, and agricultural loans; and trust and credit card services.

(6) ***Credit unions*** are nonprofit, cooperative financial institutions. Traditionally, people with a common bond have formed them - they work in the same industry or are members of a particular workers' union, share the same religion, etc. Today, the membership restrictions have softened significantly. Many credit unions simply require that you live or work in a certain geographic area in order to become a member. The vast majority of credit unions in the United States are federally chartered or state chartered credit unions that are federally insured. Credit unions frequently offer higher interest on deposit products than banks or thrifts; and they have a tendency to offer loans at lower rates. Credit unions are exempt from federal taxation. Historically, credit unions specialized in providing automobile and other personal loans and savings deposits for their members. However, more recently credit unions have offered mortgage loans, credit card loans, and some commercial loans in addition to checking accounts and time deposits.

Credit unions, SLAs, and savings banks help encourage thriftiness by paying interest to consumers who put their money in savings deposits. Consequently, credit unions, SLAs, and savings banks are often referred to as thrift institutions.

Text-Based Activities

I Answer the following questions:

1. What do banking institutions include?
2. Why are commercial banks named so?
3. What is the objective of commercial banks?
4. Have commercial banks been the largest source of loans to small businesses?

5. Are national banks supervised by the government?
6. Who owns savings and loan associations?
7. What services can SLAs and MSBs offer?
8. Are credit unions offer lower interest on deposit products than banks or thrifts?
9. What have credit unions offered recently?
10. What encourages consumers to put their money in saving deposits?

II Render the text in English.

Первый в США сберегательный банк, которым владели вкладчики, был открыт в 1816. В течение долгого времени такие банки регистрировали только в 18 штатах, в основном на Северо-Востоке. К концу 1980-х после того, как в 1980 были разрешены федеральная регистрация сберегательных учреждений и их акционирование, в США было уже около 1 тыс. сберегательных банков. Постепенно развивались и ссудо-сберегательные ассоциации, объединявшие главным образом жителей западных штатов, стремившихся построить или приобрести дом. Многие сберегательные банки прогорели в период Великой депрессии (Great Depression). С 1934 вкладчики получили возможность страховать свои сбережения на сумму до 40 тыс. долларов в Федеральной корпорации страхования депозитов (Federal Deposit Insurance Corporation) (ныне до 100 тыс. долларов), а вкладчики ссудо-сберегательных ассоциаций - в Федеральной корпорации страхования ссудо-сберегательных ассоциаций (Federal Savings and Loan Insurance Corporation) . Начиная с 1970-х вследствие инфляции и конкуренции коммерческих банков, плативших больший процент по вкладам, число сберегательных учреждений сократилось. В 1980-90-х более 1200 из них испытывали финансовые затруднения, и федеральная помощь им превысила 80 млрд. долларов. В 1989 решением Конгресса функции Федерального совета банков жилищного кредита (Federal Home Loan Bank Board) были переданы Управлению надзора за сберегательными учреждениями (Office of Thrift Supervision) , а обанкротившаяся Федеральная корпорация страхования ссудо-сберегательных ассоциаций была заменена Страховым фондом сберегательных ассоциаций (Savings Association Insurance Fund) под эгидой Министерства финансов (Department of the Treasury)

Dialogue

Read the dialogue in parts.

Student: What type of bank is this?

Banker: We're a commercial bank.

S.: Does that mean that your services are limited?

B.: To some extent. For instance, we can't offer the fiduciary services that a trust company can.

S.: What are they?

B.: Well, they have to do with the administration of trusts and estates.

S.: Suppose I wanted to buy or sell some securities. Does your bank handle such transactions?

B.: Yes, through our brokerage house.

S.: Is your broker a member of the stock exchange?

B.: Yes.

S.: This is a state bank, isn't it?

B.: That's right. Do you offer fewer services than a national bank?

B.: No. In general, the only difference is that a state bank gets its charter from the state it's in, and the national bank gets its charter from the federal government in Washington, D.C.

S.: Are there banks that don't offer regular commercial services?

B.: Oh, yes. For example Savings and Loan Associations and the Federal Land Banks are only lending institutions.

S.: Would you say a savings and loan association is a bank?

B.: No. I'd rather call it a financial institution.

S.: How about a credit union?

B.: That's not really a bank, either.

S.: And a finance company is something entirely different.

B.: Yes.

I Answer the following questions:

1. What regular services does a commercial bank offer to its customers?
2. What is the difference between a national bank and a state bank?
3. Which institutions deal with fiduciary services?
4. What do you understand by fiduciary services?
5. What is the job of a broker?
6. Where are brokerage transactions concluded?
7. What services are offered by:
   - Savings and Loan Associations;
   - Federal Land Banks;
   - credit unions?

Text 4.2 J.P. MORGAN CHASE & CO

(1) J.P. Morgan Chase & Co. operates in six major businesses. We are a leader in all of them.

Retail Financial Services
Asset & Wealth Management
Treasury & Securities Services
Card Services
Investment Banking
Commercial Banking

(2) Retail Financial Services

Retail Financial Services includes Consumer Banking, Small Business Banking, Auto and Education Finance, Insurance, and Home Finance. Our extensive branch network of 2,400 retail banking centers in 17 states makes us the fourth-largest retail bank in the United States. We are one of the industry's leading providers of mortgages and home equity loans and, with more than 3 million accounts; we are the largest U.S. bank originator of auto loans and leases.

(3) Asset & Wealth Management

Asset & Wealth Management provides investment and wealth management services to institutional, high net worth and retail investors and their advisors. For wealthy individuals and families, we offer personalized financial solutions that integrate investment management, capital markets, trust and banking products. We also provide retirement plan services and brokerage for retail clients. With combined assets under supervision in excess of $1 trillion, we are one of the largest asset and wealth managers in the world.

(4) Treasury & Securities Services

With $5.8 billion in revenue, Treasury & Securities Services is a global leader in providing transaction, investment and information services to support the needs of CFOs, treasurers, issuers and investors worldwide. We are the largest cash management provider, among other things processing $2.3 trillion in U.S. dollar transfers daily, and one of the world's largest custodians, with $7.9 trillion in assets under custody. We provide transaction services for $4.5 trillion in debt and more than $100 billion in equities.

(5) Card Services

With 87 million cards in circulation and $125 billion in managed loans, we are the second-largest issuer of credit cards in the United States and the largest merchant acquirer. Our customers use our cards for $260 billion worth of purchases a year — almost $8,300 per second. We offer a wide variety of cards to satisfy the individual needs of our cardmembers, including cards issued on behalf of major airlines, hotels, universities, top retailers, other financial institutions and a whole host of well-known brands.

(6) Investment Banking

We are one of the world's leading investment banks with broad client relationships and product capabilities. Our clients are corporations, financial institutions, governments and institutional investors worldwide. We deliver a complete platform to our clients, including advising on corporate strategy and structure, equity and debt capital raising, sophisticated risk management, research and market-making in cash securities and derivative instruments around the world. We also participate in proprietary investing and trading.

(7) Commercial Banking

Commercial Banking includes three client segments: Middle Market, which serves companies with revenues between $10 million and $500 million; Mid-Corporate, which focuses on clients with more significant Investment Banking needs; and Real Estate. We also have two product segments: Asset Based Lending and Leasing. Our critical core competency is outstanding credit management, and we rely heavily on our local presence to cross sell investment banking, treasury and investment management products and services.

I On the basis of the text present the bank you work at.

Text 4.3 FINANCIAL INSTITUTIONS OF THE UNITED KINGDOM

(1) Banking and financial market operations in Britain involve a number of special institutions and financial markets which are increasingly integrating. Many banking and financial institutions are unique to Britain and offer highly specialized services to individuals, companies and sovereign bodies all over the world.

(2) ***The Bank of England*** in the heart of the City of London is Britain's central bank. It is banker to the commercial banks and to the Government; manager of the National Debt; "lender of last resort", regulator of monetary and credit conditions; and, not least, supervisor of the banking system.

(3) ***Commercial Banks.*** This is the broad title for institutions authorized under the Banking Act 1987 as deposit-taking institutions involved in the classic banking business of taking deposits and lending money, both in the retail and wholesale markets. In Britain, they include the retail banks and institutions which offer banking services.

(4) ***Retail banks*** primarily serve individuals and small to medium-sized businesses. The major retail banks operate through more than 12,148 branches offering cash deposit and withdrawal facilities and systems for transferring funds. They provide current account facilities, including interest-bearing accounts; deposit accounts; various types of loan arrangement; and offer an extending range of financial services.

(5) ***Building societies*** started in the late 18th century to pool money to build houses and to buy land. They currently compete with the retail banks to attract savings from, and provide mortgage finance for, the personal sector. Today, they hold more savings than the other deposit-taking institutions. Building societies are "mutual" institutions, owned by their savers and borrowers.

(6) ***Merchant banks*** are so called because they originate from large merchants engaging in banking activity. Their traditionally important roles were helping foreign governments to raise loans and accepting Bills of Exchange but they are today involved in a range of services including corporate finance, foreign exchange dealings and securities trading.

(7) ***National Savings*** aids government borrowing via a range of savings instruments. These include fixed interest and index-linked Savings Certificates, First Option Bonds and Premium Bonds among others. Part of National Savings, the National Savings Bank, formerly the Post Office Savings Bank until 1969, was set up in 1861 offering deposit services to customers through some 20,000 Post Office branches. It does not operate in the same way as a retail bank or building society.

(8) ***The discount houses*** are unique to Britain and occupy a central position in the British monetary system. They have a number of functions: they receive the banking sector's liquid money — "at call and short notice"; act as financial intermediaries between the Bank of England and the rest of the banking sector; promote an orderly flow of short-term funds (about 1 billion pounds a day) between authorities and the banks; and lend to the Government by guaranteeing to tender for the whole of the weekly offer of Treasury Bills. Discount houses trade in the wholesale money market and parallel markets dealing in bills of exchange, Treasury, local authority bills, commercial bills, short-term government stocks, and certificates of deposit (CDs) which make up their main assets. Their liabilities are mainly in the form of short-term loans.

In return for acting as intermediaries, the discount houses have privileged daily access to the Bank of England as "lender of last resort".

(9) ***The investing institutions*** collect savings drawn from the personal sector and invest them in securities and other assets. The main investment institutions are insurance companies (providing general and life policies) together with insurance broking firms, pension funds, unit trusts and investment trusts. Together, they represent a massive pool of funds for investment.

(10) The City of London has long been the nexus of international activity in a number of highly organized ***financial markets***. These include the London Stock Exchange, the sterling money and bond markets; the foreign exchange markets; eurocurrency markets; financial futures; bullion, commodities; shipping and freight.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. Banking and financial market operations in Britain involve ...
2. Many banking and financial institutions in Britain offer ...
3. The Bank of England is ...
4. Commercial Banks are ...
5. Retail Banks are ...
6. Building societies compete ...
8. Merchant banks are :..
9. The National Savings Bank is ...
10. The Discount Houses are...

II Fill in the missing words: *retail, account, aid.*

1. Commercial Banks include the ... banks and institutions which offer banking services.
2. Retail Banks provide current ... facilities, including interest-bearing accounts, deposit accounts.
3. National Savings ... government borrowing via a range of savings instruments.

III Fill in the missing prepositions: *in, to, of.*

1. Some banking and financial institutions offer highly specialized services ... individuals and companies all over the world.
2 There were 518 authorized banks including retail banks, merchant banks, branches ... overseas banks, discount houses and banking subsidiaries ... both banking and non-banking institutions from Britain and overseas.
3. Retail banks primarily serve individuals and provide small scale services ... medium-sized businesses.
4. Building societies started ... the late 18th century to pool money to build houses and to buy land.

IV Answer the following questions:

1. What do banking and financial market operations in Britain involve?
2. What is the Bank of England?
3. What do commercial banks deal with?
4. What do retail banks serve and provide?
5. When did building societies start their activities?
6. What do merchant banks originate from?
7. What are traditionally important roles of merchant banks in Britain?
8. What is the National Savings Bank?
9. How many discount houses does the Discount Houses Association consist of?

V Make up sentences using one of the following word combinations:

the Bank of England, Commercial banks, retail bank, building society, international bank, merchant bank, National savings.

Text 4.4 RETAIL BANKS

(1) As regards classic banking business, the direct ancestors of the modern retail banks were the London goldsmiths of the mid-17th century. Goldsmith firms gave promises to repay deposits of coin on demand in the form of bearer documents. These passed from hand to hand and thus became the first English bank notes. In time, goldsmiths extended their services to the provision of loans. They undertook transactions in both notes and coin, settling their various accounts through balances held at the Bank of England. This relationship with the Bank of England, through the discount house intermediaries, is essential to today's banking system in Britain.

(2) Outside London, many provincial banks were formed in the second half of the 18th century, with about 700 in existence in the early 1800s. During the Victorian period high casualty levels were suffered among the small privately owned banks, particularly during the successive financial crises in the middle of the century. For example, of the 59 banks established in 1836, only the Midland (today one of the largest retail banks) survived 20 years later.

(3) The banks in the rural area, the "country banks", had more depositors than borrowers and used London banks as agents to make loans to borrowers in developing industrial areas. They did this mainly by discounting bills of exchange. The system originated the London

discount market and played an important part in financing the industrial revolution. During the middle and late 19th century the growth and prosperity of industrial firms led in turn to the amalgamation of smaller banks and growth of large networks of banking branches.

By the 1920s and 30s banking was dominated by a small group of clearing banks competing for domestic and international business and extending their services and numbers of branches across the country.

(4) Alongside their core banking operations, banks offer a wide range of services including merchant banking, leasing, factoring and venture capital, credit and debit cards, home banking, general insurance, life assurance and pensions, securities and foreign exchange dealings, executor and trustee services.

The retail banks have been major competitors of building societies in the provision of home loans and in winning the custom of the nation's depositors.

(5) In the more competitive environment, the major banks have been striving to develop a distinctive style and marketing approach to attract more business in the personal sector, and from the small and medium-sized businesses that have been their traditional customers. As part of a programme of specialisation they have invested millions of pounds in new automated teller machine (ATM) technology and other information systems; upgrading and computerising branch networks; marketing new business services; market segmentation strategies; exploring and developing niche markets; also investing in major advertising campaigns, sponsorship and public relations.

(6) The major retail banks in Britain offer the full range of financial services described above to individuals and companies through more than 11,500 branches. The six largest banks are Barclays, National Vestminster, Midland and Lloyds (the "Big Four"), TSB Bank and Abbey National (previously a leading building society). Other major British banks are the Bank of Scotland, the Royal Bank of Scotland and Standard Chartered. Together with the Bank of England, Northern Bank (of Australia), Yorkshire Bank, Cooperative Bank, Girobank, Citibank, Coutts and Clydesdale banks, these are the main retail banks in the clearing system. Two of the leading building societies, Halifax and Nationwide are also in the clearing system.

(7) As the principal providers of finance for small businesses, the retail banks support a loan guarantee scheme under which 85 per cent of the value of loans to small companies is guaranteed by government. A substantial proportion of retail bank business is in international operations (including eurocurrency activities and overseas subsidiaries).

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. The retail banks have become ...
2. As a part of a programme of specialization the retail banks have invested ...
3. Most staff destined for supervisory or management positions take ...
4. The major retail banks in Britain offer ...
5. The retail banks support ...

II Fill in the missing words: *goldsmiths, face, borrowers, investing.*

1. In recent years the entire ... of the British banking system has fundamentally changed.
2. The direct ancestors of the modern retail banks were the London ... of the mid-17th century.
3. The banks in the rural area, the "country banks", had more depositors than ... and used London banks as agents to make loans to ... in developing industrial areas.
4. The banks are also ... in training and support their staffs continuing professional education.

III Insert the prepositions: *at, by, in, of, for.*

1. The major retail banks in Britain offer the full range ... financial services.
2. ... the end of 1993, six largest banks handled nearly 85 per cent of personal bank accounts in Britain.
3. ... the 1920s and 30s banking was dominated ... a small group of clearing banks competing for domestic and international business and extending their services and numbers of branches across the country.
4. Britain's retail banks underpin the superstructure of London's financial and money markets and provide the financial support ... Britain's private sector businesses.
5. Many provincial banks were formed ... the second half of the 18th century outside London.

IV Answer the following questions:

1. What is Retail Bank?
2. When did retail banks begin operating?
3. Who were founders of retail banks?
4. How has the entire face of the British Banking system changed in recent years?
5. How has the retail banks activity changed since the mid-17th century?
6. Why have, the retail banks become major competitors of building societies?
7. What services do retail banks offer?
8. What technology and other information systems have retail banks invested millions of pounds in?
9. What are the six largest banks in Britain?

V Make up 9 sentences using one of the following word combinations.

capital and credit markets, the gradual process of deregulation, advertising campaigns, public relations, full range of financial services, technological innovation, competitive environment, marketing approach, traditional customers.

Text 4.5 MERCHANT BANKS

(1) The traditional role of merchant banks was to accept bills of exchange to provide funds for trade; also to raise capital for sovereign bodies and British companies through the issue of bonds and other securities. These activities continue but the role of Britain's merchant banks has diversified enormously in recent years. Although they are called "banks" they are more involved in, providing a range of professional services, such as corporate finance and investment management, than in lending money.

(2) Today, Britain's merchant banks are probably best known for their expertise in corporate finance services conducted in the City of London and through a growing network of overseas subsidiary companies. In the last 15 years the leading merchant banks have developed special expertise in cross-border transactions serving international business. Many are active in the capital markets and help companies, sovereign and quasi-sovereign bodies to raise finance by issuing sterling bonds, eurobonds, equity (often by means of rights issues) and other financial instruments. They also provide loans, acceptance credits and other banking facilities. A major part of their business is to provide expert advice and financial services to British and overseas companies especially involving mergers, takeovers and other forms of corporate reorganization.

(3) Merchant banks conduct investment management and the management of unit trusts working on behalf of large corporations, pension funds and individuals. They have become specialists in foreign exchange dealing and several are active in the commodities and bullion markets, particularly, in gold and silver. Some offer special professional services in diverse fields such as property asset management and development, insurance and oil exploration. The leading merchant banks have a powerful presence in international securities business after acquiring or creating stock broking firms. Conversely, as part of the process of integration within the institutions, a number of retail banks have set up or acquired merchant bank subsidiaries to deal in securities and to provide corporate finance, investment management and other services.

(4) Merchant banks in London and in Britain's principal cities are continually consolidating and developing their range of international financial services. A typical merchant bank will divide its activities into corporate finance, investment management, banking and securities, with the bulk of its income deriving from professional fees charged for these services.

For example, long established merchant banks such as Robert Fleming, Rothschilds and Shroder's have developed their professional portfolios to include special services in corporate finance, asset management, venture capital and other fields, offered through networks of international offices.

(5) The London Investment Banking Association (formerly the British Merchant Banking and Securities Houses Association) was formed in 1988, and is the principal trade association in Britain for firms active in the investment banking and securities industry. Its membership comprises almost 60 firms including most of the leading foreign banks and securities houses operating in the City of London.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. Merchant banks offer...
2. Merchant banks are located in...
3. Merchant banks deal in ...
4. The leading merchant banks have a powerful presence in ...
5. A typical merchant bank will divide ...

II Fill in the missing words: corporate *finance, diversified, developed, capital markets, mergers.*

1. The role of Britain's merchant banks has ... in recent years.
2. The merchant banks are involved in providing a range of professional services, such as ...... and investment management.
3. In the last 15 years the leading merchant banks have ... special expertise in cross-border transactions serving international business.
4. Merchant banks are active in the ... ... and help companies, sovereign -and quasi-sovereign bodies to raise finance by issuing sterling bonds, eurobonds, equity and other financial instruments.
5. A major part of their business is to provide expert advice and financial services to British and overseas companies especially involving..., takeovers and other forms of corporate reorganization.

III Insert the prepositions: *on, in, of, for.*
1. Britain's merchant banks are best known ... their expertise in corporate finance services conducted in the City of London.
2. The leading merchant banks have developed special expertise ... the last 15 years.
3. The role of Britain's merchant banks has diversified enormously ... recent years.
4. ... behalf... large corporations, pension funds and individuals, merchant banks conduct investment management and the management of unit trusts.
5. Merchant banks ... London and ... Britain's principal cities are continually consolidating and developing their range ... international financial services.

IV Answer the following questions:
1. What is the traditional role of merchant banks?
2. What are Britain's merchant banks known for?
3. What do merchant banks provide?
4. What professional services do merchant banks offer?
5. What will a typical merchant bank divide its activities into?
6. When was the London Investment Banking Association formed?

V Make up 10 sentences using one of the following word combinations.
corporate finance, investment management, merchant bank, capital market, financial services, mergers, takeovers, on behalf of, bullion market, property asset.

Text 4.6 FINANCIAL INSTITUTIONS OF THE REPUBLIC OF BELARUS

(1) The disintegration of the Soviet Union and the disestablishment of the USSR Gosbank (State Bank -former central bank) brought about a dramatically new situation in the banking sector in all states of the former Soviet Union (FSU). It was necessary to find an answer to the question: What will be the future of the monetary systems in each of the new states?

(2) By the end of 1993, the Soviet-era monetary system had ceased to exist. All former Soviet Union states, including the Republic of Belarus, developed their own monetary systems governed by the national (central) banks that were set up on the basis of branches of the FSU Gosbank.

All aspects of banking activity in Belarus are regulated by a number of documents: the Belarusian Constitution, The Law on the National Bank of the Republic of Belarus, the Banking Code of the Republic of Belarus, The Law on Electronic Documents and others.

(3) The National Bank of the Republic of Belarus (NBRB) represents the first level of the national banking system. It was established in 1991 as institution independent in its activities and subordinate to the Parliament only. Its main objectives are to ensure the internal and external stability of the country's official monetary unit, to support stable prices; to ensure the liquidity, solvency and reliability of a stable monetary (banking) system, to support the overall economic policy of the government.

(4) Pursuant to Article 136 of the Belarusian Constitution the National Bank implements the monitory policy of the government; regulates lending relationships and monetary circulation; determines settlement procedures; has the sole right of money issue.

The National Bank ensures the printing of banknotes and minting of coins and has the right to issue banknotes of new design, phasing out old notes as they wear out. The central bank manages the supply of banknotes and coins, i.e. it replaces damaged banknotes and coins, withdraws worn or obsolete banknotes and coins from circulation, destroys them and replaces them with new ones.

The NBRB keeps correspondent accounts of banks participating in the payment system, and offers cash and settlement services to banks. Being a state bank, it maintains state budget accounts and provides settlement services to government agencies and organs of state administration. It also offers banking services to foreign governments, central banks and financial institutions, as well as international organisations of which Belarus is a member.

(5) The NBRB issues regulatory acts and other directives which are binding on all economic entities, commercial banks and other credit institutions in Belarus, regardless of their form of ownership. In the area of payment system development the central bank's responsibilities are defined by Clause 30 of the Banking Code, under which the central bank determines the major directions for enhancing the domestic payment system, defines rules, methods, terms and standards for executing cash and non-cash settlements, and penalties for violating these regulations. It maintains an in-house data archive for storage and processing of statistical information and for providing required legal evidence on events and operations occurring in interbank settlements. The gold reserves of the National Bank amount to 15.2 tons (as of February 2004).

(6) The second level of the national banking system includes commercial banks and non-bank financial and credit institutions. Today there are 30 banks registered in Belarus, 24 banks of thereof are banks with foreign capital participation, including 7 wholly foreign-owned banks and 10 with 50% of foreign capital. On the average, the Republic has one credit institution per 18,000 people.

According to the current legislation the commercial banks enjoy a high degree of independence in choosing the main spheres of their activities. As regards their form, the commercial banks may be both state-owned and non-state banks set up by founders (legal and physical persons) on a share or contribution basis.

(7) The commercial banks offer their customers a wide range of services, including payment services for individuals and legal entities, and make interbank payments in their own name, issue national system cards "Belcard" and cards of international banking associations VISA and EUROPAY/MASTERCARD. Most of them operate in both the retail and wholesale financial markets. The six largest banks of Belarus, as regards their total assets, are "Belarusbank", "Belagro- prombank", "Belpromstroybank", "Priorbank", "Belvnesheconombank", and "Belbusinessbank". Their share in the total amount of assets of the operating banks of the Republic constitutes about 85%.

(8) Other financial institutions of Belarus are a state-owned Belarus Interbank Settlement Centre, which acts as a payment system operator and interbank transfer data processor; an Interbank Currency and Stock Exchange - the main instrument of the legal currency market and a Central Government Securities Depository.

The Republic is a member of the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development. In February 1993 Belarus set up the Inter-Bank Currency Exchange.

Text-Based Activities

I Answer the following questions:

1. What regulates all aspects of banking activity in Belarus?
2. Does the National Bank of Belarus represent the first or the second level of the national banking system?
3. When was the National Bank established?
4. What are its main objectives?
5. What are the National Bank's main activities?
6. What does the second level of the national banking system include?
7. What do commercial banks offer their customers?
8. What are other financial institutions of Belarus?
9. When did Belarus set up the Inter-Bank Currency Exchange?

II Make a report on the Financial Institutions of Belarus.

UNIT 5 THE SRUCTURE OF BANK

Text 5.1 INTRODUCTION

(1) The banking industry is a complex of financial institutions of different sizes and opportunities offering a different range of services to a banking community.

Whatever size and category a bank requires the optimum form to service the needs of its clients effectively. In the course of historical development commercial banks have formed the organization that guarantees the best performance, meets the business pattern and ensures continued prosperity of banks.

(2) A great number of banks are small and medium size banks. They have close links with local businesses and reflect changes of the regional economic environment. Such banks attract consumer-oriented deposits, make small business loans, pay cheques and perform other related services to the public. Such banks act as agents for their customers purchasing and selling securities for trust-account holders if they supply trust services or operating cash management for a corporate customer. When a bank begins to grow, it offers new facilities necessary to meet new challenges. With them come new sectors and departments shaping the organization form within the framework of the law of a business corporation. Large financial institutions concentrate upon servicing corporate customers. They are full-service banks that provide a full range of services nationwide and internationally. Their service area finds its manifestation in a sophisticated organization chart which is a clue to its policy and management principles. Depending on the size and type of business each bank has a different internal organization chart. However, the following divisions should be part of every commercial bank: lending division, accounting and treasury, finance operation division, including FX operations and money market operations, investment division, marketing division. Each division is broken down into departments sections and groups or teams.

(3) The organization chart of a small bank reminds of a pyramid with different subordination. The top of the pyramid is made by the chief administrative officers including the Chairman of the Board, the President who runs the bank from day to day and Senior Presidents who are in charge of the major divisions. Here is am example of a pyramidal structure within the organization chart.

Chief Administrative Officers

Vice-President Lending Division	Vice-President Accounting Treasury	Vice-President Finance Division	Vice-President Investment Division	Vice – President Marketing Division
Department Managers: Consumer Loans Commercial Loans	Department Managers: Accounting Treasury	Department Managers: FX market operations Money market operations	Department Managers: Personal Trusts Business Trusts	Department Managers: Advertising

Text-Based Activities

I Look at the organization chart and describe it in terms of the banking facilities that its division and departments supply. Make use of the following words:

to be responsible for monetary policy
to monitor, to run
to represent lending facilities
to be in charge of
to advise and assist
to exercise general supervision of
to formulate policy and control the bank's activities

Text 5.2 *BANKING CAREERS*

Read the text below and make a list of major career opportunities and a list of relative duties and responsibilities.

(1) Banking is not a profession dedicated only to entering an endless series of figures in ledgers and processing or analysing balance sheets. Primarily, banking is a profession that deals with people and their problems. Therefore banking is a profession for those who have a flair for people as well as a flair for figures. Banking provides a broad spectrum of work to allow an incipient banker to switch careers without changing a bank. The employment options in banking are abundant and various. The opportunities to move up the career ladder depend on a number of factors. Throughout their career executives, officers and specialists keep in touch with modem technique and sophisticated means attending extension courses inside and outside the bank. The major areas of work are the servicing of internal customers, domestic customer banking and special functions such as administration, personnel and computers. All of them need employees with sufficient educational background, intelligence, clear thinking, human understanding and nerve.

(2) A bank manager who is responsible for a branch of business usually begins his career as a loan officer and acquires skills and experience going through several jobs. Bank loan officers make initial contacts with new customers, accept their loan applications and assist them how to fill out a loan requests.

(3) A credit analyst and a loan workout specialist are professionals determining the business of lending. An analyst's duties are to assess each loan applicant's financial position and advise the bank's management on the loan prospects. A loan workout specialist is an experienced and skilled specialist who is supposed to investigate each problem loan, inquire into the causes of bad loans and find solutions how to recover the bank's funds. Both a credit analyst and a loan workout specialist must have a solid background in accounting, financial statement analysis, law and economics.

(4) Managers of the accounting and operations division control and direct one of the leading business areas concerned with financial planning through the interpretation and use of financial data for one thing. They are in charge of processing checks and clearing on behalf of their customers for another. Managers of the operations division of a bank supervise the work of tellers and handle customer problems with their checking accounts. The maintaining and improving of the bank's computer facilities are also in their line of business as well as security problems. The scope of their business demands that managers in the bank's accounting and operations division should have a solid training in the field of business and financial management and sufficient knowledge in up-to-date computer network systems. The lowest link of the division — a teller is a bank employee who accepts deposits, cashes checkes and performs other banking services for the public. Their duties also include sorting and filing deposit receipts and withdrawal slips. Bank tellers check account balances. They have to balance their own cash position at the end of the working day. The range of work requires mental, emotional and nervous strain. Teller's professional contacts with customers imply friendly, patient and considerate attitude to the customers. Most banks hire as tellers people with high school, college or even incomplete University training.

(5) Auditing and Control Personnel in a bank's accounting and audit department are well trained specialists. Their proficiency and expertise are unquestionable. As professional accountants they have a legal right of access to the record and accounts. Their primary duty is

to find out and state the true financial position by examining books and records so as to be able to avoid losses and assist the bank management in improving bank efficiency. Undoubtedly, only highly qualified specialists in financial accounting and auditing can cope with the objectives. Financial Analysts working in a bank's auditing and planning department analyse the bank performance, look after the interests of a bank, produce a forecast of future performance and provide ways and methods of improvement.

(4) Candidates for senior posts have to acquire a variety of managerial experience and those who show outstanding potential are likely to reach senior executive level before they are 40. The growth in banking services has created a demand for people capable of handling and managing developing banking services. Trust Department specialists, investment specialists, foreign exchange traders, personnel managers and others working to meet common challenges for the services of their departments do not exist in a vacuum. Banking is a one-company career. Once the basic training has been completed career development depends on the individual. A certain stage in career progress depends on individual abilities and reflects neither age nor previous academic record. Candidates for senior posts must show their outstanding potential, desire and strong character.

Text-Based Activities

I Consider the visual representation of the organization chart of a bank and match the jobs and positions with the departments and divisions.

II Enumerate personal and professional features that contribute to a successful career ladder.

III Read the want ads and make up your own advertisements for any of the jobs described in the above text.

Auditor - Snr Internal Auditor - Investments & Asset Management/Investment Banking
Category: Banking & Finance
Location: UK, London
Type: Permanent
Area: Internal Audit
Start date: ASAP depending upon notice period
Reference No.: CT/AU/2365
Description

Internal Auditor is required for my client who is a global investment asset management firm who provides asset management services in developed and emerging equity and bond markets on behalf of institutional, retail and private clients on a worldwide basis. They are currently searching for an internal auditor to join their highly skilled and specialist internal audit function.

You will have previous experience of working within this sector or have had some exposure to it whilst working within the Top 10 firm.

You will have excellent communication and influencing skills and be keen to use your sharp commercial acumen to actively influence policy and the bottom line. You will be liasing internal departments and managers of differing seniority and will need to adapt your approach quickly and with ease.

You will be highly ambitious and will welcome the opportunity to use this role as a stepping stone into a line management/business role when the time is right.

As this client has global interests, there will be 10-20% international travel to locations including Hong Kong, Tokyo, Frankfurt and Paris to name but a few.

For more information on the role, please contact Claire Tiley on clairetiley@morgan-west.co.uk

THE INTERNATIONAL FINANCE CORPORATION,
Member of The World Bank Group
is looking for experienced and motivated candidates to work in its regional offices in Brest, Gomel, Grodno, Mogilev, Vitebsk as **Regional Coordinators**

Qualifications:

- University degree in economics or business;
- At least 2 years' experience in a consulting firm or international organization, preferably in the area of management, business development services, or business planning;
- Written and spoken English language proficiency required.

Send resume by September 16, 2006 by fax: (017) 22-74-40 or
e-mail: CEBelarusMailboxffife.org

Assistant Consultant / Consultant, Investment Management Tax - Edinburgh

Category:	Taxation
Location:	UK, Scotland
Type:	Permanent, Part-Time
Disciplines:	Investments/Pensions
Sectors:	Audit & Prof. Services
Reference No.:	PWC/TX00777

Description

PricewaterhouseCoopers LLP provides industry-focused assurance, tax and advisory services for public and private clients. More than 130,000 people in 148 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

Job Description

PricewaterhouseCoopers is the leading provider of audit, accounting, business advisory, tax and consulting services to financial services organisations around the world. Developing creative tax strategies is imperative in any business but critical in financial services where cost competitiveness and product design are key to survival. Our global representation in the industry enables us to provide our financial services clients with a broad range of tax services which contribute to their success.Due to the growth in our investment management tax practice, we now require an enthusiastic individual to join our investment management tax team in Edinburgh.

Requirements

Key attributes required are:

- desire and ability to produce work to the highest standard
- enthusiasm and commitment
- excellent project management skills
- strong interpersonal skills
- comfortable working in a team environment
- interest in working with funds and fund management companies (experience of the funds industry would be advantageous, although full training will be provided)

Responsibilities

We combine compliance for fund management companies and for onshore and offshore funds with a successful consulting business.

The role would therefore include preparation/review of corporation tax computations and tax audit provisions (depending on experience), plus tax consulting work for funds and fund management companies.

Part time hours may be available.

UNIT 6 TYPES OF BANK SERVICES

Text 6.1 INTRODUCTION

(1) Banks are among the most important financial institutions in the economy that produce and sell financial services. In fact banks are those financial institutions that offer the widest range of financial services of any business firm in the economy. Their success or failure depends on their ability to identify financial services to the public demands, produce those services efficiently and sell them at a competitive price. Banking covers so many services that it is difficult to define it. Most banks offer a combination of wholesale and retail banking, i.e. they provide large-scale services to companies, government agencies and other banks and small-scale services to the general public respectively. Both types of banking, however, have three essential functions. They are:

- deposit function—receiving customers' deposits and offering interest-bearing deposits.
- payments function — making payments on behalf of customers for their purchases of goods and services.
- credit function — lending and investing money.

There are some traditional services that banks offer.

(2) Carrying out currency exchange. History shows that one of the first services offered by banks was currency exchange — a bank stood ready to trade one form of currency for another in return for a service fee. In today's financial marketplace trading in foreign currency is usually carried out by the largest banks due to currency risk and the expertise needed to carry out cash transactions.

(3) Safekeeping of valuables. Customers leave articles of value, locked boxes, wills and many other things in bank secure vaults for safety. The customer should lock boxes and seal parcels before he hands them in to the bank. The banker will issue a receipt if so required. The banker hands them back only against a signature by his customer or a property-appointed agent whom the banks knows. Some banks maintain a safe deposit service where the customer himself puts his documents and articles of value into his box in the strong room or takes them out. He alone has the key to his box. The bank keeps duplicate keys in case of emergency, but does not use them except in the presence of the customer or by his express authority.

(4) Trust service. For years banks have offered to manage the financial affairs and property of individuals and business firms in return for a fee. This property management function is known as trust services. Most banks offer both personal trust services to individuals and families and commercial trust services to corporations and other businesses.

Banking is not static business today. Banks are undergoing sweeping changes in function and form. Among the newest services offered by banks are

(5) Financial Advising. Customers have long asked for financial advice, particularly, when it comes to the use of credit and the saving and investing of funds. Many banks today offer a wide range of financial advisory services, from helping to prepare tax returns and; financial planning, to consulting for business managers and checking on the credit standing of firms and individuals who deal with one of the bank's business customers.

(6) Cash Management. Over the years banks have found that some of the services they provide for themselves are also valuable for their customers. One of the most prominent examples is cash management services, in which a bank agrees to handle cash collections and disbursements for a business firm and to invest any temporary cash surpluses in short-term interest-bearing securities and loans until the cash is needed. While banks tend to specialize mainly in business cash management services, there is a growing trend today towards offering similar services for consumers.

(7) Selling Insurance Policies. Most banks either offer selected insurance policies to their customers or have plans to offer insurance services in the near future. They hope to be able to offer regular life insurance policies and property-casualty policies, such as auto or home owners' insurance.

(8) Offering Security Brokerage Services. In today's financial marketplace many banks are doing their best to become true "financial department stores". This is one of the main reasons banks began to market security, brokerage services offering their customers the opportunity to buy stocks, bonds, and other securities without security dealers or brokers.

Text-Based Activities

I Decide whether there is any evidence in the passage for the following statements. If there is, note it down and elaborate on it.

1. Banks play a crucial role in the economy.
2. Foreign exchange operations are mostly carried out by wholesale banks.
3. Banking is undergoing sweeping changes.

II Make a list of services a) an individual client would seek; b) a wholesale client would require. Try to arrange them in order of their importance. Support your point of view.

III Be ready to render the passage in the form of a lecture.

Text 6.2 TYPES OF ACCOUNTS

(1) People have more choices than ever before when they deposit money today. Many financial institutions, such as banks, savings and loan associations and credit unions, offer different types of accounts. The normal banking account is *the current account*, running from day to day. A balance is shown at the end of any day on which there has been a debit or credit entry. No interest is normally allowed on current account. The bank sends its customer statements of the account quarterly half-yearly, or more often if he wishes. The account may remunerate the banker because a good average credit balance is kept but if it does not a commission charge may be debited to the account quarterly or half-yearly.

(2) If a current account is defined as an account which is opened so cheques may be drawn on it, then *a deposit account* can be defined as an account which is open to earn interest. Deposit interest is paid at a rate determined by the bank's base rate. No cheques are supposed to be collected from deposit account holders and no book is issued. Withdrawals are nominally at seven days' notice, but can be obtained on demand. Interest is credited to the current account, if there is one, half-yearly; otherwise it is added to balance of the deposit account. Interest rates may be fixed or variable; they may be simple or compounding. The annual simple interest rate states how much money the bank will pay on a deposit at the end of one year without compounding. However, the interest can be compounded, that is, interest can be earned on accumulated interest as well as the amount initially deposited.

(3) Accounts can be *single ownership accounts*, that is, owned by one person, or *joint accounts*, that is, owned by two or more persons. A single ownership account holder can give a person power of attorney, the right to withdraw funds from the account.

(4) To open a bank account a client has to give the bank some ground information, such as a) full name and address; b) his/her occupation, the employee's name and address.

Two references are normally required, and the referees must themselves be considered of satisfactory status. Most important specimen signature is given. Any signature on an order to the bank must always be the same as this specimen.

Text-Based Activities

I Decide whether the following statements are correct.

1. Banks operate for profit, that's why they try to attract all kinds of new customers.
2. The bank charges its clients a commission fee for opening a current account.
3. The deposit account is open to earn interest.

4. Interest rates depend on the type of the account.
5. The single ownership account can be used only by its holder.
6. To open a bank account a client has to produce his employee's reference.

II Make a list of questions you would ask when opening a bank account.

Dialogue

Virginia Clary, investor: I have some funds on hand, and I'm wondering whether I ought to put it in a savings account.

Woods Palmer, banker: It's a good idea, if you want to keep your investment fairly liquid. And you might also think of a time deposit.

V.C.: What's the difference?

W. P.: Well, first of all, your time deposit is for a specified term. But you can make withdrawals from your savings account at any time, although as much as thirty days' notice of withdrawal may be required.

V.C.: Do they draw the same rate of interest?

W. P.: We pay the maximum 4% per annum at maturity on a one-year time certificate. Interest on a savings account accrues at the rate of 3%.

V.C.: How do you figure the interest on a savings account?

W. P.: It's compounded and credited to the account semiannually.

V.C.: You mean added to the principal?

W. P.: Yes, and we issue you a passbook on your savings account in which each deposit and withdrawal is entered.

V.C.: Is either type of account transferable?

W. P.: Only time certificates.

V.C.: Are these deposits insured?

W. P.: Yes, we're a member of the Federal Deposit Insurance Corporation.

I Enact the imaginary conversation with a bank employee and a client.

A

You work at a bank and interview a client who wants to open a business account with your bank in the first section below is some information about the client's company which you already have. In the other is the additional information you need to find out. Start by checking the information given using statement questions. The customer can also ask questions about the bank

<u>Information about company</u>
Name: Robotics
Address: 81, Mc Cormick St, Skokie , Illinois, USA
Business phone number: (847) 982 5092 Fax (9847) 676 7323
Legal status: inc.
Activity: Hardware manufacturer

<u>Information to find out:</u>
Number of employees
How they are paid
Connected companies
What services the new business account holder wants
Type of account
Frequency of statements of account

B

Take part of the company's manager who wants to open a business account with a bank in the first section below is some information about your company. In the other is the additional information you want to find out about the bank.

<u>Information about company</u>	Name : Robotics Address: 81, Mc Cormick St, Skokie , Illinois, USA Business phone number: (847) 982 5092 Fax (9847) 676 7323 Legal status: inc. Activity: Hardware manufacturer Number of employees: 2000 worldwide How they are paid: credit card Connected companies: America Online, Compu Serve, Bank services required: automated bankroll services, payment services, current account, monthly financial statements
<u>Information to find out:</u>	Bank standing Credit line

Text 6.3 DEPOSITING MONEY WITH A BANK

(1) There are two general reasons for using a bank account. The first and most common is the convenience and safety provided by a current account at a bank. The second is that small and perhaps regular surpluses are available to be saved, and for this purpose a bank provides deposit accounts.

A deposit account will not offer a high rate of interest and would not be the best way to save large sums of money for any long period of time, but it is designed to make saving simple, convenient and safe. It is especially appropriate for those who may save small amounts from time to time without any planned regularity or for those who wish to save for a particular purpose in the immediate future, for example for annual holidays or for the purchase of a major item such as a car.

(2) Most customers of a bank who have opened a deposit account will also have a current account and this makes the transfer of amounts of money from one to the other an easy matter. Regular payments into a deposit account can be made through a standing order to the bank who will automatically transfer the agreed amount according to your instructions. Other payments are made on standard forms but it is most convenient and provides a useful record if the depositor uses a paying in book. Interest is calculated every six months and added to the account. The rate of interest varies from time to time and is publicly advertised in any bank. Because the bank uses money deposited with them to lend to others it normally requires about seven days notice of intention to withdraw money from a deposit account, but unless there is a heavy demand for money they are not likely to insist on this and cash is often immediately available to those who wish to withdraw it. There is an assumption that such notice was given and you would lose seven day's interest on the money.

(3) The increasing need for security and the use of computers in wage payments have combined to make it more common to have a bank account than to be without one. This kind of account is a current one and its most common use is a single regular payment in either a weekly wage or a monthly salary and regular payments out to meet the normal everyday expenses. Most payments are still made by cheque although h the use of the standing order or the direct debit is becoming very common. It is normally expected that a current account will remain in balance and customers who regularly maintain an agreed minimum balance are often given the services of the bank without charge. In general, however, charges are made which vary with the size of the balance, the amount of use of the bank's services and

the number of transactions. If the account is overdrawn a further charge, which is interest on the overdrawn amount, is also made.

Overdrafts are not permitted automatically and anything other than a small temporary overdraft would have to be by agreement with the bank manager. Such a facility is often useful particularly when there is a short term disbalance between income and expenditure. On the other hand, since money in a current account does not attract interest, it is not a good idea to maintain large cash balances, these would be later transferred to a deposit account or to an alternative form of saving.

Text-Based Activities

I Answer the following questions:

1. What are the two main reasons for opening a bank account?
2. Which type of account is used by those who wish to save?
3. What kind of saving is this type of account most suited to?
4. What is a standing order?
5. Why does a bank sometimes need notice of intention to withdraw money from saving accounts?
6. What is the most common use of current accounts?
7. Why are some customers not charged for the facility of a current account?
8. Why is it not a good idea to retain large balance in a current account?

II Use the words in brackets as a guide; explain the meaning of the following terms:

deposit	(put into, an account)
withdrawal	(an account, remove from)
standing order	(transfer, automatic, bank, customer, instructions)
joint account	(two or more people, owned by)
statement	(a customer's deposits and withdrawals, a record)
overdraft	(current account, balance)
interest	(the use of money, pay for)
notice	(one's intentions, an announcement of)
insurance	(loss, protection against, government agency or another specializing in)

III Choose the right answer:

1. «a current account» is:
   a) one which is available for the time being,
   b) one. in which savings are held,
   c) one which is used all the time for day-to-day transactions.
2. «a cancelled cheque» means:
   a) worthless cheque,
   b) stamped to indicate that payment has been made,
   c) crossed cheque.
3. «a genuine signature» is:
   a) a person's name written by himself,
   b) a person's name written correctly,
   c) legible signature.
4. «an outstanding cheque» means:
   a) unpaid cheque,
   b) written but not yet presented for payment,
   c) overdue cheque.

Dialogue

Read the dialogue.

Cashier: Now this is the checking account ledger. Each page is a record of a customer's deposits and withdrawals.

Student: And you give a copy of this to the customer.

C.: That's right. That's his statement, which he receives with all his cancelled checks. Then he reconciles it with his own records.

S.: This one is a joint account, isn't it? And pretty active.

C.: Yes. it is.

S.: What's this debit?

C.: That's our service charge.

S.: I notice an overdraft here in April.

C.: I'm afraid we've had to remind this customer and his wife several times that they must keep a sufficient balance to cover all outstanding checks.

S.: Will I have to learn to recognize all our customers signatures?

C.: Yes, you will. Any check we cash must have a genuine signature. But we keep a file of them that you can refer to

S.: Will I be doing any posting of this ledger?

C.: No, I'm afraid. Not till you are employed in our bank.

S.: Well, suppose one has some funds on hand, I'm wondering whether he ought to put them in a savings account

C.: It's a good idea, if he wants to keep his investment fairly liquid. And he might also think of a time deposit

S.: What's the difference?

C.: Well, first of all, his time deposit is for a specified term, but he can make withdrawals from his savings account at any time, although as much as thirty days' notice of withdrawal may be required.

S.: Do they draw the same rate of interest?

C: The bank pays the maximum 4% per annum at maturity on a one year time certificate. Interest on a savings account accrues at the rate of 3%.

S.: How do you figure the interest on a savings account?

C.: It's compounded and credited to the account semi-annually.

S.: You mean added to the principal?

C.: Yes. And we issue each customer a passbook on his savings account in which each deposit and withdrawal is entered.

S.: Is either type of account transferable?

C.: Only time certificates.

S.: Are these deposits insured?

C.: Yes. We're a member of the Federal Deposit Insurance Corporation.

Answer the following questions::

1. What is a checking account ledger?
2. Why does the bank send a copy of the statement with all checks cancelled to every customer?
3. Are service charges debited or credited to an account?
4. What happens when a cashier notices an overdraft on somebody's account?
5. What does a teller have to do before he cashes a check?
6. What advice would you offer to a customer who has some funds on hand?
7. Why is it profitable to deposit your funds for a specified term?
8. How is the interest on a savings account figured?
9. Which type of account is transferable?
10. How are customer's deposits protected?

Text 6.4 APPLICATIONS FOR LOANS

(1) Banks make their profits by lending the money which customers deposit with them to others who need it for personal or business reasons. Most people need more money than they have currently available at some time in their lives.

(2) To be a borrower you must be a customer of the bank because the money will be lent to you through a bank account. There are two ways in which you may borrow. The first, and easy, is to spend more money than you have in your current account — to overdraw. The second, and the normal way of borrowing larger amounts or for a long period of time is the loan.

(3) If a manager permits an overdraft on current account he is likely to set a limit to the size of the overdraft and may stipulate a date by which the account is back in credit. Businesses whose payments and receipts are often irregular will frequently need to use overdraft facilities and they are often granted to private customers as well particularly when the manager knows that regular payments are made directly into the account.

(4) If a loan is granted it will be a fixed sum immediately available for a fixed period of time. The principal and the interest on it may all become due for payment at the end of that period but for personal loans it is common to arrange that the loan and interest are repaid in equal regular installments over the period of the loan. A separate account is opened to record the repayments as they are made.

(5) Whether you are seeking money for business or personal reasons there are a number of things that the manager will want to know before he is prepared to grant your request. The obvious facts will be the amount that you seek and the arrangements for re-payment that you are able to suggest. You need to tell him something about the purpose of the loan, a business loan is likely to help you make profits out of which the loan can be repaid with interest and he will wish to judge for himself whether or not this is likely. Personal loans usually have to be repaid out of an income which will not get any bigger and the manager will be particularly anxious to ensure that you are not being too optimistic. In deciding this he will be considerably assisted by his knowledge of you and his estimate of your character.

(6) Sometimes people do not ask for enough money because they are anxious about the burden of the repayments. The manager will be wise enough to try and ensure that you will have sufficient amount of money to do what you want to do. Finally he will consider whether or not you really will be able to repay and what kind of security you can offer against the possibility that you do not repay. In the case of a business the manager may want to see well prepared, relevant documents such as profit and loss accounts and balance sheets for the most recent years. He would also ask about the expected return from the use of the money and want to see some figures upon which you have based your calculations. For a business good security might be one or more of the assets of the business whilst personal loans are often secured by such things as life insurance policies on which the bank is making regular payment for you or the deeds of your house.

Text-Based Activities

I Answer the following questions:

1. What two kinds of borrowings are possible?
2. In what circumstances an overdraft on current account is permissible?
3. How are personal loans usually repaid?
4. Will you pay back more than you borrowed? What will the difference be?
5. What information will the manager require for a personal loan?
6. What information will he require for a business loan?
7. What other things will he take into account?
8. What will he need from you to make the loan safer for him?
9. What does a businessman mean by his expected rate of return?
10. Why might this be important to the bank manager?
11. What kind of things might you offer as collateral for a personal loan?

Dialogue

Read the dialogue.

Part I. Application for Credit

Banker: Our discount committee is still discussing your application for credit. I wonder if you'd mind giving us some more information about certain items shown on your balance sheet.

Customer: Not at all.

B.: Is the mortgage on your fixed assets being amortized?

C.: No. That's just an open note.

B.: Your balance sheet shows some indebtedness. Are any of your assets pledged as security?

C.: No. That's just an open note.

B.: Would your company be willing to pledge part of its current assets as collateral security to our loan?

C.: We wouldn't object to that. Part of this money will be used to retire present debts and part to expand our operations. Then we can immediately begin to liquidate this new liability.

B.: I think we'd better prefer that arrangement.

Part II. Granting the Loan on an Open Note

Builder: I received your notice that my note is due. I can pay it off now, but there is a piece of land right next to my property that I'd like to buy.

Banker: I don't remember your situation exactly. Are your present holdings free of encumbrance?

Bu.: My real estate is clear. But there's a chattel mortgage on my construction equipment.

Ba.: Has this land you want to buy been appraised?

Bu.: Yes. It belongs to an estate and was appraised by order of the court. They estimated its value at $20,000.

Ba.: Can it be bought at that figure?

Bu.: I think so. I'd like to make them that offer.

Ba.: Would you consider giving us a trust deed to secure your present note plus the additional funds you'll need?

Bu.: I might. But I'd thought that my net worth is high enough that I could borrow the amount on my open note.

Ba.: Well, in that case would your wife agree to be a co-signer?

Bu.: I'm sure she would, because the title to property would be in both our names.

Ba.: Well, it seems to me that you have enough equity in your property for us to make the loan on an open note.

I Answer the following questions:

Part I

1. What is the customer applying for?
2. Has the banker decided whether to grant the credit yet or not?
3. What sort of information is the banker interested in?
4. How does the banker want to secure the bank's credit?
5. How is the company going to use its current assets?

Part II

1. Why is the builder asking for the extension of his note?
2. What is his present financial standing?
3. Has the land he wants to buy been appraised?
4. What sort of guarantee does the banker insist on to secure the funds the builder will need?
5. What made the builder think that he could borrow the amount on an open note?
6. Who will hold the title to the property purchased?
7. Why has the banker agreed to grant the loan on an open note?

Text 6.5 *LOANS*

(1) The money deposited in a bank doesn't lie idle. The bank lends it out at interest. Making loans is the principal economic function of banks. The bank regulates its lending functions working out its loan policy. Such a policy gives loan officers and the bank's management guidelines in making loan decisions and in shaping the bank's overall loan portfolio. The written loan policy includes statement of the types, maturities, size and quality of loans. It also lists guidelines for reviewing, evaluating and decision making on customer loan application.

(2) There are several categories of bank loans that meet different objectives. They are real estate loans, financial institutions loans, commercial and industrial loans, loans to individuals, miscellaneous loans, lease financial receivables. The largest volume are real estate loans. A bank grants loans to individuals and businesses to construct and purchase homes, office buildings, shops, industrial structures. They are subdivided into construction loans and long-term mortgage loans on property. They include credit to purchase inventories of goods and raw materials to cover operating expenses and to finance new equipment. Next in importance are loans to individuals and families for living cost, medical expenses, automobile purchase, home appliances, vacation, education and so on.

(3) The rate of interest charged by the bank is a price of borrowing money. A bank makes a loan for a certain amount, over a certain period, at a certain rate of exchange, e.g. $2,000 borrowed towards the cost of a new car at 10% per annum. The bank may want its money (loan and interest) repaid by installments rather than all at once on the last day of the agreed period.

Text-Based Activities

I *Borrowing money.* Consider the following situation. In pairs, ask and answer questions about Anne's loan using the words in italics in the text above, like this:

e.g. How much money did Anne borrow? - £600

Kevin *borrowed* £3600 from the bank to buy a car. In other words:

Kevin had a *loan* from the bank. The bank *lent* Kevin £3,600. Kevin had a *debt* of £3,600. Kevin *owed* the bank £3,600. Kevin is the bank's *debtor.* The bank is Kevin's *creditor.*

Kevin is *repaying* the loan over three years and he is paying *interest* on the loan at the rate of 10% per annum on a decreasing balance. In other words, in the first month he repaid £100 *capital* and £30 *interest* (10% x £3,600/12 months). In the second month, the *balance* on his capital repayment was £3,500 (£3,600—£100 he repaid in the first month), so he repaid £100 capital and £29.25 interest (10% x £3,500/12 months).

Anne had a loan of £600 from the bank. She paid it back over twelve months at a rate of 10% p.a. on a decreasing balance.

Text 6.6 STEPS IN THE LENDING PROCCES

(1) When a customer decides to request a loan an interview with a bank loan officer will follow. It gives the potential borrower the opportunity to explain his credit needs for one thing and offers a chance for the bank's loan officer to assess the customer's sincerity of purpose. The major question to deal with is whether or not the customer can service the loan — that is pay out the credit when it is due. The interview is recorded as a strong factor weighing against or in favour of the approval of the loan request. Besides the customer must submit several crucial documents to fully evaluate the loan request.

(2) The key factors in decision making and evaluating a loan application are capacity, character, capital, collateral, environment control. Conducting the interview the loan officer leans his decision on the above factors. Capacity proves the customer's proper authority from the company's board to request a loan and the legal standing to sign the loan agreement with the bank. Character concerns the customer's honesty that proves that the loan is for a good purpose and the customer's serious intention to repay. Collateral aspect of a loan deals with the assets and other valuables that the customer pledges behind the loan and against which the bank can make its claim in the event of loan default. Capital defines the borrower's ability to generate capital adequate and sufficient to repay the loan. The loan officer and credit analyst must be aware of the borrower's line of work and how changing economic conditions of the environment might affect the loan. Control factor is essential in assessing whether changes in regulation could adversely affect the borrower and whether the loan request meets the bank's standards for loan quality.

Text-Based Activities

I Decide which of the following statements are correct.

1. The major types of loans are classified in accordance with the borrower's needs and the lender's commitments.
2. The borrower's creditworthy standing is one of the key factors in assessing the potential customer.
3. Loans cannot be repaid in installments.
4. An agreed sum-interest goes to the customer as a form of payment for the loan.
5. A loan agreement reflects the customer's needs and the bank's commitments.
6. Assessing the loan application, a loan officer must consider the economy of the potential borrower's area.
7. Most loans are interest-free.

Make use of the following words:

1. It is the basic theme that runs through the passage.
2. It has nothing to do with the passage as it goes counter to...
3. I can't say for sure that...

II You are a bank loan officer. Interview a potential borrower to assess his economic financial position, earning power, creditworthiness.

Find out: the category of the loan required, its amount
name and address of employer, position held
time with the present employer, gross annual income

Check: current account
age
represent the third management level
if the present employer is prepared to act as a referee

Inform: loan due date, interest rate.

Remember:
Indirect questions are asked at the beginning of an interview:
I wonder if I could ask you a few questions.
Could you possibly tell me ....
Would you please tell me....
Do you have any idea....
Do you by chance know...
Statement questions are useful when checking information:
The bank has launched a new credit card system, hasn't it?
So, he manages a new branch, is that right?

Text 6.7 INTERNATIONAL BANKING

Read the passage below and make lists of words and phrases to do with:

- major services supplied by banks in international markets;
- organizational forms that international banks use to serve their customers.

(1) International banking has been practised for centuries and engaged in selling banking products across national borders. From the major trading centres around the Mediterranean Sea, Athens and Rome international banking has spread to other economic areas of Europe, Asia and America meeting the challenges of new rapidly developing markets. Nowadays former colonies have banking systems which are dominated by the branches of overseas banks. In the 1950-s — 1960-s the U.S. banks controlled major world markets in Western Europe, South and Central America. In the 1980-s the leadership in international banking passed to Japan owing to its strong economy and advanced technologies which strengthened the position of the Japanese Yen in the global money market and led to the dramatic rise in its financial power and prominence.

(2) International banks are the lending source of credit for multinational corporations and governmental units. They offer a complete line of financial services mostly centered around borrowing and lending short-term wholesale funds. Interest rates of short-term business credits are tied to some international base rate. The most popular rate of this type is LIBOR — the London Interbank Offer Rate, the rate at which banks offer to lend money to other banks in eurodollars. The major international lending organizations — The International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and The International Monetary Fund (IMF) work closely but direct their attention to different areas. The World Bank provides developing countries with long-term, low-interest credit for industrial development. IMF pays external debts owed by countries with balance or payments deficits, rather than project financing.

International banking services cover a wide range of customer financial needs such as supplying foreign currencies, hedging techniques to deal with fluctuating currency prices and interest rates, cash management services and others. One of the most dynamic banking services is assistance with foreign mergers and acquisitions. International banks participate in syndicated loans provided by a group of international banks. International banks operate in forward markets where foreign currencies are traded for delivery at a later date.

(3) Foreign exchange banking and eurocurrency banking are important sections of international banking. The FOREX market specializes in buying and selling foreign currencies. It is a network of commercial banks, central banks, brokers, and customers who communicate with each other by telex and telephone. The bulk of business is carried out in London and New

York. Eurocurrency banking deals with currency used for trade within Europe but outside the country of origin (the eurodollar, the euroyen, etc). Now all the operations are carried out between the dollar and other currencies. Banks receiving eurocurrency deposits are known as eurobanks. For instance, when a U.K. bank doesn't lend sterling but lends an overseas currency to a non national it is conducting eurocurrency business. Banks in the eurocurrency market have three types of customers: non-banks, central banks and commercial banks.

(4) International banking has developed various types of foreign business organizations. The most traditional forms include branches, representative offices, subsidiaries, joint ventures. More recently as the risk of international banking has increased new forms have been introduced. Among them are International Banking Facilities (IBFs), Export Trading Companies, shell branches. Branch offices are full service facilities that provide a complete set of services supplied by the bank's home office. Unlike branches representative offices only market services of the home branch and find potential customers. Subsidiaries are separate corporations set up in foreign markets. They are often used instead of branches because of local regulations or tax advantage. A joint venture is a useful form that reduces risk exposure in entering a new foreign market. IBFs are separate banking centres in a U.S. domestic bank or office of a foreign bank authorized to participate in Eurocurrency banking. U.S. commercial banks are permitted to own and operate export trading companies. According to Federal Reserve Board regulation, these firms must receive over half of their income from assisting exports from the U.S. A shell branch is a small office outside an international bank's home country. It books deposits and keeps track of other banking transactions.

Text-Based Activities

I Match the paragraphs of the text with the best heading from those given below. Account for your choice.

1. The main components of international banking.
2. Organizational forms of international banks.
3. Historical development.
4. The main customer services.
5. The biggest international financial organizations.

II Find the places in the text where you can insert:

1. I.M.F. is a bank from which a borrower uses its own currency to buy the foreign currency it needs. The Fund rebuilds confidence in currencies that are in temporary difficulty.
2. The international debt problem concerns the ability to repay international loans.
3. Some international banks prefer to acquire an existing firm overseas that already has an established customer-base rather than building a new office and a new clientele.

III Decide if there is any evidence for the following statements in the text. Comment on them.

1. The concept of eurocurrencies is the same as that of eurodollars.
2. When a bank lends an overseas currency to a non-national it conducts eurocurrency business.
3. In their pursuit of the least expensive sources of funds banks use a wide variety of organizational structures.

Text 6.8 CURRENCY AND OTHER FORMS OF EXCHANGE

(1) The work of bank centres around money and financial services. Virtually any activity involving money or advice about financial matters is undertaken by all the commercial banks. The immediate service offered by the bank is the receipt for deposit of coins, notes and cheques and the cashing of cheques, through current accounts. Coins and notes in circulation have the status of «legal tender» that is to say they must be taken in payment of a debt although the extent to which this applies in the case of coins is deliberately restricted for the sake of convenience.

The most common means of payment, particularly for significant sums of money, is the cheque since it is both safer and more convenient than using cash. However, it is not legal tender and creditors can refuse to accept it if they wish. Normally both national cheques and traveller's cheques are readily negotiable if the bearer has some means of proving his identity and the creditor can be sure that the cheque will be «honoured». To assist the use of cheques banks now provide their customers with bankers cards which, when used in association with a cheque, will guarantee it up to a stated maximum. If a customer wishes to make payments of large amounts of money by cheque and is not known to the creditor, then he may obtain a «certified cheque» from his bank. Such a cheque is signed by the bank and therefore payment is guaranteed.

(2) Those trading overseas, or in conditions where there may be a significant time lapse between sending out goods and their receipt by the customer, may use a Bill of Exchange as a means of payment. This is really a post dated cheque which assures the creditor payment but also gives the buyer opportunity to inspect the goods before the transaction is completed. Those whose credit standing is unknown may have to get the Bill «accepted» before a creditor will take it. Such a process guarantees payment and most work of this kind is undertaken by the merchant banks. Because Bills are post dated creditors may have to wait some time for their money. They can overcome this problem by endorsing the Bill and then either discounting it with a Discount House or a bank or passing it on to another trader in settlement of a debt of their own. By the time it comes to maturity a Bill may have passed through several hands and on each occasion it must be endorsed. The commercial banks participate in this activity in two ways: in part by lending money to the discount houses and in part by discounting bills for their own customers.

I Decide which of the following statements are correct.

1. Coins and bills of every denomination are called legal tender.
2. Cheques are rarely accepted in lieu of currency.
3. To cash a traveller's cheque the bearer need only present proper identification.
4. Bills of Exchange are not legal tender.
5. A cheque is always guaranteed by a bank.
6. Certified cheques are always guaranteed by a bank.

II Choose the right answer:

1. «We constantly handle coins and bills» means:
   a) cash them under most circumstances,
   b) deal with them,
   c) receive them.
2. «bills of every denomination» denote:
   a) bank notes of different values,
   b) bank notes of various sizes,
   c) other means of exchange.

3. «Legal tender» is:

a) a type of paper currency,
b) a requirement to accept in settlement of a debt,
c) money guaranteed by a government.

4. «both cheques and traveller's cheques are readily accepted» means:

a) able to be given to another party,
b) certified by the bank that funds are available,
c) endorsed by an officer of the bank.

5. «the cheque will be honoured» means:

a) that it will be readily accepted by creditors,
b) that it will be treated with respect,
c) that the bank will be ready to cash it.

6. «a bearer» is:

a) a person who is named as payee on the exchange document,
b) an officer of the bank who endorses the cheque,
c) the person offering the exchange document and demanding payment.

III List all the forms of money mentioned in the passage and match them with the following definitions:

1. A bank's unqualified guarantee to pay a specified sum to a specified individual or organization.
2. A negotiable instrument issued only by the Bank of England and signed by the Chief Cashier of the Bank.
3. A written order to a bank to pay a stated amount of money.
4. A negotiable instrument issued by a bank in exchange for cash and readily usable in most parts of the world.
5. Token money largely used for small purchases and transactions.
6. A written order to a bank to pay a stated amount of money to a stated person or, after endorsement, to the bearer on or within a stated time after a given date.

IV Answer the following questions:

1 .What forms of money are called legal tender?
2. Why are cheques a common form of exchange?
3. What is the main purpose of a banker's card?
4. What is the special feature of a certified cheque?
5. What is the main use of a Bill of Exchange?
6. Why does a Bill sometimes have to be «accepted»?
7. In which two ways might a creditor who needed the money dispose of a Bill?

Dialogue

Read the dialogue.

Student: The bank must use just about every form of exchange in a day's work.
Cashier Just about. Of course, we constantly handle coins and bills of every denomination.
S.: They're what you call legal tender.
C.: Yes. Or currency. A nation's currency is its legal tender.
S.: But a check isn't legal tender.
C.: No. However checks are a very common form of exchange, and they are generally accepted in lieu of currency.
S.: Are traveler's checks currency?

C.: Not in a strict sense. But they're immediately negotiable everywhere. For instance, even merchants will cash them under most circumstances.
S.: The bearer need only present proper identification.
C.: That's right.
S.: Well, what's a bank note? Is that currency?
C.: Definitely. Bank notes are issued by the banks of the Federal Reserve System, and they're legal tender just as silver certificates are.
S.: That's what I thought. But getting back to checks, why are bank drafts sometimes preferred over checks?
C.: Well, in the case of a check, the party who signs it is the only one who guarantees payment. But a bank draft is issued and guaranteed by a bank.
S.: Is that true of cashier's checks, too?
C: Yes. And also of certified checks and bank money orders.
S.: What about sight drafts?
C.: Now, sight drafts are different. They' re a form of request for payment through a bank.

I Answer the following questions:

1. What forms of exchange are called legal tender?
2. Why are checks a common form of exchange?
3. How are traveller's checks useful?
4. Which banks in the USA may issue bank notes?
5. What is the difference between a check and a bank draft?
6. What do cashier's checks, certified checks and bank drafts have in common?
7. How do sight drafts differ?

UNIT 7 METHODS OF PAYMENT

Text 7.1 INTRODUCTION

(1) Compared to selling in the domestic market, selling abroad can create extra problems. Delivery generally takes longer and payment for goods correspondingly can take more time. So exporters need to take extra care in ensuring that prospective customers are reliable payers and that payment is received as quickly as possible.

(2) In the first and in the last analysis, payment for exports depends on the conditions outlined in the commercial contract with a foreign buyer. As explained previously, there are internationally accepted terms designed to avoid confusion about cost and price.

(3) The way exporters choose to be paid depends on a number of factors: the usual contract terms adopted in an overseas buyer's country, what competitors may be offering, how quickly funds are needed, the life of the product, market and exchange regulations, the availability of foreign currency to the buyers, and, of course, whether the cost of any credit can be afforded by the buyer or the exporter.

(4) There are four basic methods of payment providing varying degrees of security for the exporter:

a) payment in advance;
b) open account;
c) Bills of Exchange;
d) Documentary Letter of Credit.

1. Payment in advance.

Clearly the best possible method of payment for the exporter is payment in advance. Cash with order (CWO) avoids any risks on small orders with new buyers and may even be asked for before production begins. However, this form of payment is extremely rare in exporting since it means that an overseas buyer is extending credit to an exporter when the opposite procedure is the normal method of trade. Variations in this form of payment are cash on delivery (COD) where small value goods are sent by Post Office parcel post and are released only after payment of the invoice plus COD charges.

2. Open account.

(5) An exporter receives the greatest security of payment from cash with order or from cash on delivery. At the other extreme payment on open account offers the least security to an exporter. The goods and accompanying documents are sent directly to an overseas buyer who has agreed to pay within a certain period after the invoice date usually not more then 180 days. The buyer undertakes to remit money to the exporter by an agreed method.

(6) The open account method of payment is increasingly popular within the EEC because it is simple and straightforward. 70 per cent of UK exports are paid for under open account terms. It saves money and procedural difficulties but the risk to the exporter is obviously greater. It is only successful if an exporter trusts the business integrity and ability of an overseas buyer, something that has probably been established through a sustained period of trading.

(7) A variation of open account payment is the consignment account where an exporter supplies an overseas buyer in order that stocks are built in quantities sufficient to cover continual demand. The exporter retains ownership of the goods until they are sold, or for an agreed period of time, after which the buyer remits the agreed price to the exporter.

(8) However, a large proportion of export contracts cannot be settled by payment in advance or by open account, particularly with sales outside the EEC. So parallel with the development of international trade throughout the world, the trading community has developed methods of payments which involve the transfer of documents for exported goods using the international banking system — with the aim of speedily settling export transactions at minimum risk to exporters and to overseas buyers.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. The method of payment you adopt for each customer depends on many factors, such as......
2. The use of Incoterms in commercial contracts helps......
3. The choice of the method of payment is important as each of them provides......
4. Cash with order is highly satisfactory from the exporter's point of view, but the least......
5. It is quite safe to send small value goods by COD post as the goods are......
6. If you know your foreign customer well and have no reason to doubt his credibility, you may........
7. Under the open account agreement, the delivery of goods is not......
8. You can speedily settle export transactions at minimum risk using......

II Answer the following questions:

1. Why does selling abroad create extra problems as compared to selling in the domestic market?

2. What helps to avoid misunderstandings in payment for exports?
3. What factors does the choice of a method of payment depend on?
4. Which method of payment provides the best/greatest security for the exporter?
5. Why is payment in advance of order not frequently used in exporting?
6. Which method of payment offers the least security to an exporter?
7. If the open account method offers so little security to an exporter, why is it becoming more and more popular?
8. When does an exporter agree to deliver goods on open account?
9. How does the consignment account operate?
10. Besides payment in advance and by open account, what other methods of payment has the trading community worked out?

III Fill in the missing words:

The method of obtaining payment of an export order is usually a matter ___ negotiation ___ the exporter and his buyer and will in many instances be governed ____ the exporter's knowledge of the buyer and the buyer's financial standing.

In deciding the terms ____ payment to negotiate, the exporter may perhaps wish the degree ___ security he obtains, the speed ____ remittance and any additional costs involved.

In rare cases an exporter is able to persuade his buyer to pay 100 percent of the ___ value before ____ take place. It is quite common, however, for the buyer to make an ___ payment of a percentage of the contract value.

Where the exporter has complete faith in the buyer he may be willing to trade on an _____ account basis. This usually means that the buyer receives the ____, takes ____ of the goods and thereafter makes ____ to the exporter in accordance with previously agreed _____.

Text 7.2 BILL OF EXCHANGE (B/E)

(1) An exporter can send a bill of exchange for the value of the invoice of goods for export through the banking system for payment by an overseas buyer on presentation. A bill of exchange is legally defined as "an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to which it is addressed to pay on demand or at a fixed or determinable future time a certain sum of money, to or to the order of a specified person, or to the bearer".

In other words an exporter prepares a bill of exchange which is drawn on an overseas buyer, or even on a third party as designated in the export contract, for the sum agreed at settlement.

(2) The bill is called a sight draft if it is made out payable at sight i.e. "on demand". If it is payable "at a fixed or determinable future time" it is called a term draft, because the buyer is receiving a period of credit known as the tenor of the bill. The buyer signs an agreement to pay on the due date by writing an acceptance across the face of the bill.

(3) By using a bill of exchange with other shipping documents through the banking system, an exporter can ensure greater control of the goods, because until the bill is paid or accepted by the overseas buyer the goods cannot be released. Conversely the buyer does not have to pay or agree to pay by some agreed date until delivery of the goods from the exporter.

(4) An exporter can pass a bill of exchange to a bank in the UK. The UK bank forwards the bill to its overseas branch or to a correspondent bank in an overseas buyer's country. This

bank, known as the collecting bank, presents the bill to whomever it is drawn upon, for immediate payment if it is a sight draft, or for acceptance if it is a term draft. This procedure is known as a clean bill collection because there are no shipping documents required. Clean bill collections have become more popular, particularly in some European countries where the method is also used in internal trade. Also such collections provide more security than open account terms if there is some doubt about a buyer's financial status.

(5) However, it is more likely that bills are used in a documentary collection method of payment. In this case, an exporter sends the bill to the buyer through the banking system with the shipping documents, including the document of title to the goods, i.e. an original bill of lading. The bank then releases the documents on payment or acceptance of the bill by the overseas buyer.

(6) An exporter can even use the banking system for a cash against documents (CAD) collection. In this case only the shipping documents are sent and the exporter instructs the bank to release them only after payment by the overseas buyer. This method is used in some European countries whose buyers often prefer CAD to a sight draft if the exporter insists on a documentary' collection for settlement of the export contract.

(7) In all the methods of payment using a bill of exchange, a promissory note can be used as an alternative. This is issued by a buyer who promises to pay an exporter a certain amount of money within a specified time.

(8) It is even possible to send the documents and bill of exchange directly to an overseas buyer's bank, by-passing the UK bank. This system of direct collection is widely supported by US banks, but it dispenses with the help of the UK bank whose aid can be invaluable if something goes wrong in the collection. For example, there could be excessive shipping delays so that a buyer may refuse to accept or pay a draft on presentation. In this situation the UK bank can act as the exporter's agent by arranging the warehousing of the goods or their reshipment, or even disposing of them at auction to recoup any outlay.

(9) An overseas buyer may deliberately default on a term bill or just go bankrupt. In either case the UK bank can arrange legal action or act on instructions to initiate protests i.e. engage a notary public in the buyer's country to deliver a "notice of dishonour" to the defaulter, thus preparing a likely settlement in favour of the exporter if matter has to go to court.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. The bill is called a sight draft if it is payable ....
2. The bill is called a term draft if it is payable...................
3. The tenor of the bill is ....
4. A term draft does not have to be paid at sight but at......
5. The goods cannot be released to a foreign buyer until the bill................
6. A clean bill collection means that.................................
7. A documentary bill collection means that................the most important of which is.............
8. A promissory note is issued by................who in this way guarantees...............
9. when there is ....

II Explain the following terms and give your own examples:

account	cash	date
bill	collection	default
draft		

III Consider the following situation. Give short answers to these questions about the text:

You already know two functions of a Bill of Lading. Its third function is as a document of title. A document of title is proof of ownership, so the person who owns the B/L may claim the goods. Look at the B/L in Exercise 14.4. Under the heading 'Consignee' is the word 'ORDER'. This word means that the B/L is negotiable - it can be sold. If you sell the goods you give the buyer the B/L so it can be used to claim the goods. The advantage of this is that the importer can sell the goods while the ship is still at sea. The buyer then presents the B/L and collects the goods when the ship arrives at the port of destination. The first importer has the money to start another transaction. This was very important when voyages took many months.

Credit is normal in export trade. When a B/E has been signed by the importer, the exporter usually has to wait about 90 (or sometimes 180) days before it can be exchanged for money. Because a B/E is negotiable, the exporter may discount (sell) the bill at his bank before the 90 days have passed. The exporter has the money to start another transaction immediately and the bank collects the money when the B/E is paid. The bank may rediscount the bill to a discount house which specialises in this work.

1. What are the two functions of a B/L that you know already?
2. Which words on a cheque mean that it is negotiable?
3. Look at the air waybill in Exercise 11.2. Is it negotiable?
4. Do you think an exporter discounts a. B/E when the transaction is 'documents against payment'?
5. When a bank discounts a B/E, do you think it pays (a) more than (b) the same amount as (c) less than the face value of the bill?

Text 7.3 DOCUMENTARY LETTER OF CREDIT

(1) By sending documents through the banking system in a documentary bills collection, both an exporter and an overseas buyer have some degree of security in completing the commercial contract. But a more secure method of carrying out the transaction is by a documentary letter of credit. This documentary letter of credit when transmitted through a bank, usually in the exporter's country, becomes the means by which the exporter obtains payment.

(2) The necessary documents, correctly completed, are presented to a bank by the expiry date of the credit. If the terms of the credit are met an exporter can receive payment from a UK bank. The buyer is in effect providing the exporter with immediate payment in return for a guaranteed assurance from a reputable bank that the export documents required to deliver the goods have been completed to the bank's satisfaction.

(3) Documentary credits may be revocable or irrevocable. A revocable letter of credit is rather rare nowadays because it means that the terms of the credit can be cancelled or amended by an overseas buyer at any time without prior notice to the exporter. Most letters of credit are irrevocable, which means that once a buyer's conditions in the letter have been agreed by an exporter, they constitute a definite undertaking by the buyer's bank and cannot be revoked without the exporter's agreement.

(4) UK banks advise letters of credit i.e. on presentation of documents required in a letter of credit, they send them for collection and payment by the issuing bank of an overseas buyer. The letter of credit in this situation is only as good as the strength of the overseas bank involved. An exporter's advising bank undertakes no responsibility itself to pay the exporter.

(5) Even better security is achieved if the irrevocable letter is confirmed by an advising bank in the UK. Then the UK confirming bank stands fully in place of the issuing bank abroad, and provided all the terms and conditions of credit are fulfilled by an exporter, payment is assured

by the banking system without recourse, i.e. without further call on the exporter. So when an exporter has negotiated in the contract with the buyer for a confirmed irrevocable letter of credit then security of payment, as far as humanly possible, is achieved.

(6) But whether or not the credit is confirmed it is essential that the exporter checks the credit terms immediately to make sure they are compatible with the commercial contract made with the buyer. In dealing with documentary credits the bank is concerned only with the documents to be presented and not with the goods or services involved.

Documentary credits may provide for payment at sight or for acceptance of a term bill of exchange by either the issuing bank in a buyer's country or the correspondent bank in the UK.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. The expiry date is the date by which........
2. A revocable letter of credit means that..........
3. An irrevocable letter of credit means that provided........
4. A confirmed irrevocable letter of credit is one conformed by...
5. Payment is assured without recourse means that provided ....the exporter....

II Answer the following questions:

1. Which method of payment provides the greatest security for the exporter?
2. Who provides the buyer with the assurance that the goods will be shipped in accordance with the terms of the contract?
3. Why are revocable letters of credit seldom used in foreign trade?
4. On what condition can an irrevocable letter of credit be cancelled?
5. Does an irrevocable letter of credit provide the exporter with assurance that he will be paid on shipment of goods under all circumstances?
6. To achieve better security who should a letter of credit be confirmed by?
7. What is the first duty of an exporter when he is advised about a letter of credit? Why?

III Consider the following situation. Give short answers to these questions about the text:

Bruce Stevens of Harbour Imports Pty, Melbourne, Australia, wanted to pay Peter Weaver of Clothco Ltd, Manchester, UK, for some cloth. Bruce wrote to his bank on a special form and asked them to open an irrevocable documentary credit. This is a Letter of Credit from Bruce's bank guaranteeing payment in Britain at a later date. If it is irrevocable, it cannot be cancelled. Neither Bruce nor his bank can change their minds and refuse to pay. Peter's bank knows Bruce's bank very well and they know they will receive the money, so they confirmed the Letter of Credit. This means that they guaranteed to pay the money so Peter was sure he would be paid. However a Letter of Credit is not negotiable, so Peter had to wait until the Letter of Credit was paid before he received his money.

1. Was Peter paid immediately for the cloth?
2. Who applies for a L/C, the importer or the exporter?
3. Who issues a L/C?
4. If a L/C is not irrevocable, who might not pay?
5. If a L/C is not confirmed, who might not pay?
6. Can you discount a L/C?
7. Do you think an exporter would rather be paid by B/E D/P or by L/C?
8. How many reasons can you think of why importers or banks might not pay a B/E or an unconfirmed revocable L/C?

VI Translate the following letter of credit into Russian

THE BANK OF NEW YORK

NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

OUR REF. NO. 0124 DATE MARCH 10, 20...

BENEFICIARY: FRENCH EXPORTER ET CIE.
PARIS, FRANCE

APPLICANT: JOHNSON IMPORT CO.
P.O. BOX 212 ATLANTA. GEORGIA

ADVISING BANK: COMMERCIAL BANK OF PARIS, PARIS, FRANCE

GENTLEMEN/LADIES:

WE HEREBY ISSUE IN YOUR FAVOR THIS NONTRANSFERABLE IRREVOCABLE DOCUMENTARY CREDIT WHICH IS AVAILABLE WITH:

COMMERCIAL BANK OF PARIS, PARIS, FRANCE, BY NEGOTIATION

DRAFTS AT SIGHT DRAWN ON THE BANK OF NEW YORK, NEW YORK

TO THE EXTENT OF:	**US$100,000.00**
EXPIRY DATE :	JUNE 30,20...
PARTIAL SHIPMENTS:	ARE NOT PERMITTED
TRANSHIPMENTS:	ARE PERMITTED

SHIPMENT FROM FRANCE TO SAVANNAH, GA. LATEST SHIPMENT DATE: JUNE 15, 2002.

COVERING:

25 CASES OF PERFUME AS PER PROFORMA INVOICE NO. 7136

DOCUMENTS REQUIRED:

1. COMMERCIAL INVOICE IN TRIPLICATE STATING THAT MERCHANDISE AND INVOICES ARE IN ACCORDANCE WITH PROFORMA INVOICE NO. 7136.
2. CUSTOMS INVOICE
3. PACKING LIST
4. CERTIFICATE OF ORIGIN
5. INSURANCE POLICY/CERTIFICATE ISSUED BY AN INSURANCE COMPANY IN NEGOTIABLE FORM COVERING MARINE AND WAR RISKS,
6. ON BOARD MARINE BILLS OF LADING MADE OUT TO THE ORDER OF THE BANK OF NEW YORK, NEW YORK, MARKED "NOTIFY JOHNSON IMPORT CO."

IF DOCUMENTS ARE PRESENTED WITH DISCREPANCIES WHICH ARE CORRECTED OR WAIVED, A DISCREPANT DOCUMENT FEE OF $40.00 WILL BE DEDUCTED FROM THE PROCEEDS OF THE DRAWING.

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS AND BONA FIDE HOLDERS OF DRAFTS DRAWN IN COMPLIANCE WITH THE TERMS OF THIS CREDIT THAT THE SAME SHALL BE DULY HONORED.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED, THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, 1993 REVISION, ICC PUBLICATION NO. 500

YOURS VERY TRULY, ADVISING BANK'S NOTIFICATION

AUTHORIZED SIGNATURE PLACE, DATE, NAME AND SIGNATURE OF ADVISING BANK

Text 7.4 WHAT IS A REIMBURSEMENT?

(1) A reimbursement differs from a regular L/C in that advising bank and the opening bank do not maintain account relationship with one another. The situation can occur because the seller names the advising bank and the buyer names the opening bank independently of each other or because the currency of the Letter of Credit (USD) is neither the opening nor advising bank's "own" currency. Thus, the opening bank must provide for payment to a negotiating bank by naming a third bank, the reimbursement bank, to honour claims for payment from a negotiating bank as provided for in the L/C.

When the negotiating bank negotiates documents or effects payment as the case may be under a L/C, it will claim reimbursement from the reimbursing bank and forward all the documents to the opening bank.

(2) Here is an example of instructions for the negotiating bank:

"You are authorized to negotiate documents and reimburse yourselves for the amount of your negotiations by claiming reimbursement from our US dollar a/c held with the Bank America International LTD., New York, USA, value at least — 3 working days after your tested telex advice to us quoting value date and therein certifying that all credit terms have been strictly complied with".

I Find equivalents to the following word combinations in the text:
авизующий банк и банк-эмитет не держат счета друг у друга; независимо друг от друга; таким образом, банк-эмитет должен предусматривать платеж; называя (указывая) третий банк; оплачивать платежные требования, как предусмотрено в аккредитиве; негоциирующий банк; как это может быть (предусмотрено) по аккредитиву; требовать возмещение; вам разрешается (вы имеете право негоциировать (оплачивать) документы; рамбрусироваться на сумму ваших оплат; сроком, по крайней мере, 3 рабочих дня; ключеванное телексное авизо; указывая дату валютирования; удостоверяя, что все условия аккредитива полностью (точно) выполнены (соблюдены).

Text 7.5 Why SWIFT?

(1) In the early the growth in banking began to exceed the capacity of paper-based payment systems and manual handling procedures. The need for more efficiency led most major banks and financial institutions to computerise their international accounting and transaction processing functions.

Hence, in the early a group of banks took the initiative to create a joint telecommunication systems. The result was S.W.I.F.T, the Society for Worldwide Interbank Financial Telecommunication, created in Belgium in 1973 by 250 of the major European and North American banks. The system became operational on May 9, 1977.

(2) The network and its connected services enable users to transmit between themselves international payments, statements and other transactions associated with international finance. Today, over 2,300 institutions in more than 54 countries exchange close to 1,000,000 messages daily.

I Decide which of the following statements are correct.

1. In the early the growth in banking did not exceed the capacity of paper-based payment systems and manual handling procedures.
2. The Society for Worldwide Interbank Financial Telecommunication was created in Great Britain in 1973.
3. The system became operational on October 1, 1977.
4. Today, over 2,300 institutions in more than 54 countries exchange close to 1,000 messages daily.

Text 7.6 PAYMENT ORDERS. BANK TRANSFERS

(1) A bank transfer is a simple transference of money from the account of the payer in his country to the bank account of the payee in his country. If telegraphed, a bank transfer is known as a telegraphic transfer, and, if mailed, as a mail transfer.

(2) The Home Bank forwards the Paying Bank a payment order so that the beneficiary can obtain the funds. The way of covering (reimbursing) this order is indicated in the payment order. If the reimbursement is credited to the Paying Bank's account with the Home Bank, the latter forwards a credit-advice to the Paying Bank. The debiting of the Home Bank's account with the Paying Bank is permitted by "authorization" sent by the Home Bank. That is all true if the Home Bank and the Paying Bank maintain accounts with each other. Should it be otherwise a bank transfer is made through a third correspondent bank.

To avoid possible exposure and misusage mail transfers are signed by authorized persons and telegraphic transfers are tested.

I Decide which of the following statements are correct.

1. The Home Bank forwards a payment order directly to the beneficiary's address.
2. If the Paying Bank maintains accounts with the Home Bank all bank transfers are made through a third Correspondent Bank.
3. The way of covering an order is usually indicated in the payment order.
4. Mail transfers are signed by authorized persons to avoid possible misusage.

II Find equivalents to the following word combinations in the text:

Способ покрытия платежного поручения указан в ...; счет банка-получателя у банка-эмитента; держать счета друг у друга; в противном случае; банковский перевод производится через (посредством); третий банк-корреспондент; во избежание возможного риска; уполномоченные лица.

III Translate the following word combinations into Russian:

bank transfer; mail transfer; telegraphic transfer; simple transference; a Paying Bank; a third Correspondent Bank; to avoid possible exposure; to avoid misusage; to maintain an account; to obtain the funds; the latter forwards a credit-advice to...

Text 7.7 WHAT IS COLLECTION?

(1) "Collection" means the handling by banks, on instructions received, of documents in order to obtain acceptance and/or payment.

The documents are attached to an application form that the exporter presents to its bank. The latter makes out a collection order and, as a rule, passes it over to its correspondent in the country of the importer. The correspondent bank of some other bank called "collecting" either presents the documents to the importer or passes them over to another collecting bank called "presenting". The latter then presents the documents to the importer.

(2) Banks concerned with collection do not accept responsibility for payment or acceptance.

In carrying out collection banks adhere to their own practice and Uniform Rules for Collections accepted by most commercial banks.

I Answer the following questions:

1. What is a collection order?
2. Who makes it out?
3. What is the name of the bank that delivers the documents to the importer?
4. Who is responsible for payment/acceptance?
5. Why do most commercial banks accept "Uniform Rules or Collections"?

I Find equivalents to the following word combinations in the text:
Согласно полученным инструкциям; для того чтобы получить акцепт, бланк-заявление; последний составляет инкассовое поручение; как правило; последний ... передает его своему корреспонденту; банк-корреспондент... передает документы импортеру против акцепта, схема инкассового поручения; банки, имеющие дело с инкассо; банки не принимают ответственность за платеж или акцепт; банки придерживаются своей собственной практики; большинство коммерческих банков.

Text 7.8 REMITTING MONEY

(1) There are several ways that a remittance from an overseas buyer can be transmitted to an exporter. An exporter's most important consideration is the speed at which this can be done — the quicker it is achieved the better an exporter's cash flow and the less the cost of any finance that may have to be raised to carry out an export contract.

(2) In the contract where payment is on open account terms, payment by a cheque from an overseas buyer might seem the simplest method. But there are several disadvantages. The cheque will normally be drawn on the buyer's overseas bank in that national currency. So an exporter could be subject to a loss when the foreign currency is exchanged into sterling: there could be delays due to exchange controls in a buyer's country; there could be postal delays; and there may be delays while the exporter's UK bank clears the cheque with the overseas buyer's bank.

Payment could be made by a banker's draft. An overseas buyer's bank issues a cheque in favour of an exporter to be drawn on a bank in the UK. Exchange control problems in the buyer's country are avoided, but there could still be delays in the post and in clearances between the exporter's UK bank and any other banks in the chain of remittances.

(3) The most common form of non-documentary payment for exports is by mail transfer (International Money Transfer). An overseas buyer instructs a bank in the buyer's country to transfer an amount of money to an exporter's UK bank by airmail, and in due course, the exporter receives payment. Unfortunately this can be a slow process. However, the UK exporter's bank branch can assist the exporter in reducing to the minimum any delays in mail transfers.

(4) Although at first sight more expensive, a most effective way of making an international payment, because of the time saved, is by telegraphic transfer (Express International Money Transfer) or bank cable. Money is transferred by coded inter-bank telex and as long as the exporter makes it clear to the overseas buyer exactly which bank and account in the UK the remittance should be made to, the exporter should receive very speedy payment through the system.

(5) Delays in remittance can cost money, even cancelling out the profit in any contract, especially when the exporter is paying interest on any financing or the exporters cash flow is severely affected. So it is worth the exporter consulting the UK bank about remittance procedures in open account contracts. The exporter should generally ask the overseas buyer to remit to a specified UK bank branch by telegraphic transfer. If the export business warrants it the exporter can consider opening bank account to collect funds and transfer them in bulk to the UK by telex at regular intervals.

Text-Based Activities

I Complete the following sentences on the basis of the information given in the text.

1. There are several ways of remitting money. They are .....
2. The most important disadvantage of payment by a cheque is .....
3. Exchange control problems are avoided when payment is made by a banker's draft, but.....
4. International Money Transfer is.....
5. A most effective way of making an international payment is.....

II Fill in the missing words.

stipulate, a bank, a credit, by means of, the bills of exchange, shipping documents, issues, the beneficiary, cancel

Sellers often _______ in contracts that payment should be made by Buyers ________ a credit opened by the Buyers with__________ in favour of the Sellers. This means that the Buyers must go to their bank and arrange that the bank should open________ under which_______ accompanied by_______ will be drawn by the Sellers on the bank, and on the Byuers.

If a bank________ a revocable credit, it has the right to revoke it any time without notice to______. The bank which agrees to issue an irrevocable credit cannot _____ it, even if the Buyers ask them to do so.

III Answer the following questions.

1. What is an exporter's most important consideration while remitting the money?
2. What is the simplest method of payment if it is on open account terms?
3. In what case are exchange control problems avoided in the buyer's country?
4. What is the most common form of nondocumentary payment for exports?
5. Why can delays in remittance cost money?

UNIT 8 BANKING CORRESPONDENCE

Text 8.1 INTRODUCTION

(1) Writing good business letters is an art that can be acquired by constant practice and concentrated effort, by bearing in mind the various techniques, and by observing the work of those who have mastered the art.

(2) A letter should make all the necessary points in a logical sequence, with each idea or piece of information linking up with the previous one in a pattern that can be followed.

Here is, for example the plan of a letter:

1. acknowledgement and restatement
2. instructions / request / some information
3. statement about enclosures
4. thanks

(3) The first paragraph or sentence of the letter is a very important one since it sets the tone of the letter and gives the reader his first impression of the sender. Very often the first paragraph or sentence briefly restates or refers to the contents of the letter that is being answered.

(4) The middle paragraphs, which form the main part of the letter, concern the points that need to be made, answers to give or questions to ask. It is in the middle paragraphs of a letter that planning is most important. To make sure that all the points are made clearly, fully and in a logical sequence.

(5) When closing the letter, the sender may encourage further correspondence, express thanks etc.

When letters are typed in block form the first word of each paragraph is typed at the left-hand margin.

Nearly every business letter is typed with single spacing and with double space between the paragraphs.

(6) When the letter extends beyond one page follow-on sheets are used. But the typist should avoid using them if fewer than two lines would appear on the sheet. If continuation sheets follow then very often the following abbreviations are used at the preceding page either in the center or in the right-hand corner:

P.T.O. – which means "please turn over"

... Continued

... /2

Text 8.2 *OPENING A NEW ACCOUNT – CREDIT STATUS*

(1) Any buyer who finds he is likely to make regular purchases from a particular seller will almost certainly ask for open account terms, i.e. he wishes to be supplied without payment for each order separately at time of delivery. He may want to pay monthly or quarterly (i.e. 3-monthly). In other words he wants credit from his supplier just as his own customers will probably want credit from him. Credit is the life-blood of trade. Modern commerce has been built up on it and it has in recent years penetrated to the retail buyer to such an extent that today many people spend half their income on credit buying, and large credit finance companies have sprung up to finance this kind of spending.

(2) In international trade, credit is of even greater importance than in the home trade, partly because of the timelag between the placing of the order and delivery of the goods. It is not only buyers who intend to place regular orders who will want credit terms, but also buyers who may want to place a single—but very large—order. Very often the banks will cover the credits required. In the present chapter we shall deal only with credit given by the seller himself.

(3) Let us suppose a seller has received a request for account terms. The seller needs to know immediately what kind of reputation the buyer has, the approximate size of his business, how he pays his accounts and even something about his trade activities, before the seller can calculate how much credit he can grant. This level of credit is called *credit standing* or *credit status.*

The seller can obtain information from *(a)* references given by the buyer, *(b)* his bank, *(c)* various trade associations and *(d)* enquiry agencies.

(4) In writing letters asking for information of this kind, the writer must remember that the whole matter is *confidential* and that in the cases of *(b)* and (c), the giving of information is a favour on the part of the givers. Letters should therefore be polite and appreciative and should give assurance of confidential treatment.

I Answer the following questions:

1. What do open account terms imply?
2. How far has credit penetrated modern commerce?
3. What is the importance of credit in international trade?
4. How can the seller get the information about the buyer's credit status?
5. Why is the whole matter of asking for information of this kind considered to be confidential?

II Familiarise yourself with different types of seller's enquiries to reference and replies to them and translate them into Russian. Pay attention to the confidential style of writing and be ready to comment on each case.

A. Seller's letter to his bank manager, asking for information

The Manager
NorthEastern Bank Ltd.
Hadley St.
Newcastle ND2 7GF

Dear Sir

I am thinking of granting credit to Messrs ... of..., of whom I have only slight knowledge gained during a few months of trading on a cash basis.

If you can find out anything about their financial and credit standing, I shall be very grateful to you. They give me only their bankers, The ... Bank Ltd. of... as a reference, and they estimate their monthly orders at about £500.

I hope that you will be able to assist me.

Yours faithfully

B. Favourable reply from a bank to letter № 3

Dear Sirs
With reference to your enquiry of... concerning the firm named on the enclosed slip, we can advise you that they are old established dealers of the highest repute and standing, and are considered safe for the credit you mention.
This information is for your own use only and is given without responsibility.
Yours faithfully

C. Unfavourable reply from a bank to letter № 3

Dear Sirs
Replying to your enquiry DD/CC of... we regret to say that we cannot give information in this case. We would advise you to act with caution.
Yours faithfully

Text 8.3 THE COLLECTION OF OVERDUE ACCOUNTS

(1) There has probably never been a trading firm whose accounts department has not had to spend a considerable amount of time in trying to get customers to pay overdue accounts. In the home trade this is fairly common, but in foreign trade it is fortunately less frequent, as sellers usually insist on terms which secure payment, when dealing with customers they do not know. Accordingly the only risk comes from customers with open accounts, and as these are normally buyers with a proven reputation, this risk is small. However, it can and sometimes does happen that an account is not paid when due. A buyer may run into a period of bad trade and find himself temporarily short of money; he may have a complaint about the goods sent; he may refuse to accept a bill of exchange or delays and misunderstandings may be caused by customs regulations in his country. A wise customer will inform his supplier of any such situation and try to get some concession from him. If he does not, and an account becomes overdue, the seller has the task of asking for payment.

(2) As in the home trade, it is usual to make the first request for payment brief and polite. After all, the matter may be an oversight, and the simple act of sending a copy of the account with a remark such as 'Overdue— please settle' or 'Kindly remit' may be all that is necessary. Alternatively, a cable or telex may be sent. This saves time, gives a sense of urgency to the matter, and has in many cases proved effective.

(3) If, however, a firm decides to send a letter requesting payment, the style or tone of the letter will depend on the kind of customer for whom it is intended; how long overdue; whether customer has previously allowed accounts to become overdue; how valuable the business is, etc.

I Answer the following questions:

1. What is a fairly common problem of an accounts department of a trading firm?
2. What kind of risk may come from customers in foreign trade?
3. What are the usual steps to be made in respect of customers whose accounts are overdue?

II Study carefully the following letters and translate them into Russian. Decide whom they are written by and identify the subject matter of each letter.

- extension of credit
- varying the terms of payment
- errors and disagreements in accounts
- a first reminder to a new credit account customer

A.

ear Sirs
/ith reference to your invoice No. 21026 of July 3rd, we have to point out that you have made an rror in your total. We calculate the correct figure at £237.14.6, not £247.14.6 as given by you.
)ur cheque for the former amount is enclosed and we should be obliged if you would amend ie invoice or pass the necessary credit.
ours faithfully

I.

Jear Sirs
oday we have arranged payment of your invoice no. 162 for goods received on 24 April.
he material arrived in good condition and has now been sold. As we have now done business /ith you for a year on the basis of payment on invoice, we would like to ask you to grant us pen account terms, with quarterly settlement. Our two other main suppliers, Messrs.... and..., ave recently agreed to supply us on these terms. Yours faithfully

;.

)ear Sirs
Ve thank you for your letter of ... containing quarterly statement and your sight Bill for the imount of £....
\s you know, we have always accepted your drafts immediately and regret very much that we ire now compelled to ask you if you will draw on us at 60 d/s for this present account. The ;ause of our temporary difficulty is that most of our regular customers have suffered a failure of heir early fruit crop and have had to postpone payment of their debts to us.
(ou may rely on us to meet your draft on presentation, if you will grant us this concession.
(ours faithfully

).

Jnder our agreement, payment for individual orders sent to you is due 2 months from date of nvoice.
The consignment of watch springs sent you by air freight on 15 June was invoiced to you on 16 June and payment was accordingly due on 16 August.
\o doubt it is through an oversight on your part that settlement is now 3 weeks overdue and we look forward to receiving your remittance in the course of a few days.
May we ask you for prompt clearance of all invoiced accounts, as we can only supply at our agreed prices if this is done.

SUPPLEMENTARY READING

1 *HISTORY OF BANKING IN THE UNITED STATES*

(1) The first important bank in the United States was the Bank of North America, established in 1781 by the Second Continental Congress. It was the first bank chartered by the U.S. government. Other banks existed in the colonies prior to this, most notably the Bank of Pennsylvania, but these banks were chartered by individual states. In 1787 the Bank of North America changed to a Pennsylvania charter following controversy about the legality of a congressional charter. Other large banks were chartered in the early 1780s by the various states, primarily to issue paper money called bank notes. These notes supplemented the coins then in circulation and assisted greatly in business expansion. The banks were also permitted to accept deposits and to make loans.

(2) Because there were no minimum reserve requirements on deposits, bank notes were secured by the assets of the issuing banks. Most assets took the form of business loans. The only restraint on a bank's ability to extend loans was the public's unwillingness to accept its notes. Acceptance of a bank's notes usually was determined by the bank's record in exchanging the notes for coins when called upon to do so. Since most of them were able to do this, the early banks enjoyed wide latitude in granting loans.

(3) In 1791 the federal government chartered the Bank of the United States, commonly referred to as the "First" Bank of the United States, to serve both the government and the public. One-fifth of the bank's capital was supplied by the federal government. The bank was a repository of government funds and a source of loans for individuals and the federal and state governments. The charter of the "First" Bank of the United States was allowed to lapse in 1811, in part because half of its stock was owned by foreigners but also because of opposition to the bank by more than 80 state-chartered banks. The main reason for the conflict between state banks and the "First" Bank of the United States was that the public preferred the notes of the Bank of the United States because of the bank's excellent reputation. This made it difficult for state banks to attract customers.

1.2 SECOND BANK OF THE UNITED STATES

(1) During the War of 1812, hard currency (coins) became scarce and many state banks stopped redeeming their notes for coins. This brought into question the underlying value of bank notes and limited their use as money. At the same time, however, banks began increasing the amount of notes they issued. This rapid increase in paper money caused prices to rise and created inflation. These developments created a demand for establishing the "Second" Bank of the United States, which was chartered in 1816. The bank had a stormy career. Many local bankers who had to compete with this government-sponsored bank opposed it, as did President Andrew Jackson. As a result of Jackson's opposition, the federal government withdrew its deposits in 1833, and three years later, when the bank's charter was not renewed, it went out of existence.

(2) In 1838 New York State passed a free banking law. Before this date all incorporated banks had been chartered by states and had been granted the note-issuing privilege. Under free banking, charters could be obtained without a special act of the state legislature. The main requirement for new banks was that they post collateral of government bonds equal in value to the notes to be issued. In principle, noteholders were protected because, if the bank failed, proceeds from the sale of the collateral would be used to reimburse them. Free banking was soon adopted by other states. Because there was little regulation of new banks, many banks failed and bank fraud occurred. The free-banking years of 1837 to 1863 are also known as the Wildcat Banking era.

(3) In New England, however, the Suffolk Bank in Boston, Massachusetts, had redeemed bank notes of out-of-town banks only if they kept on deposit amounts large enough to cover the redemptions. Since Boston was a trade center, the pressure was great on all New England banks to accept this system, known as the Suffolk banking system. Practically all New England banks had joined the system by 1825.

(4) In the early 1800s New York State also developed the safety fund system, under which each member bank contributed a small percentage of its capital annually to a state-managed fund. The purpose of the fund was to protect noteholders in the event of bank failure. In 1842 Louisiana enacted legislation to limit the number of banks and to require them to maintain one-third of their assets in cash and two-thirds in short-term obligations.

1.3 THE NATIONAL BANKING ACT OF 1863

(1) The Civil War (1861-1865) brought about the National Banking Act of 1863, and with it a fundamental change in the structure of commercial banking in the United States. Originally named the National Currency Act, but later amended and renamed, the National Banking Act created the system known as dual banking, in which banks could have either a state or federal charter. This system still exists in the United States. The act established the Office of the Comptroller of the Currency in the Department of the Treasury and gave it the power to issue national bank charters to any bank that met minimum requirements. The philosophy of relatively "free banking" continued until 1935 when Congress made it more difficult to obtain a bank charter. The 1863 act allowed nationally chartered banks to issue a uniform bank note backed by U.S. government bonds. The amount of the notes was not to exceed 90 percent of the value of the bonds. Officials hoped that the issuance of uniform bank notes backed by the U.S. government would guarantee the value of bank notes and thereby produce a useful nationwide currency, while also inducing state banks to take out national charters. However, because the regulations accompanying a national charter were much stricter than state charters, a movement toward federal charters did not happen as planned. In 1865 the U.S. Congress enacted a 10 percent tax on any bank or individual paying out or using state bank notes. As a result of the tax, many banks converted to national charters, but many others simply stopped issuing their own notes. Instead, these state banks began to issue their customers demand deposit money—that is, checking accounts, instead of bank notes.

(2) By the 1870's, deposits were well established as a substitute for paper or coin currency, and state banks experienced a revival. State charters contained several advantages over federal charters. State-chartered banks were allowed to hold lower cash reserves relative to deposits, and less capital. State-chartered banks had more flexible branching opportunities and fewer restrictions on the types of loans that could be made.

(3) The National Banking Act was successful in correcting some failings of the pre-Civil War commercial banking system. It produced a unified national paper currency consisting primarily of national bank notes. Bank crises, however, did not disappear. Panics occurred in 1873, 1884, 1893, and 1907, although the causes of these crises varied. Between 1873 and 1907, demand deposits far outweighed bank note circulation. At times some banks were unable to make immediate payment of demands on these deposits. Consequently these banks failed, and their depositors suffered losses of all or part of the money in their accounts.

1.4 FEDERAL RESERVE ACT OF 1913

(1) The financial panic of 1907 resulted in the Federal Reserve Act of 1913. This act went further than any earlier legislation in recognizing the importance of stable money and credit conditions to the health of the national economy. Under the Federal Reserve Act, a central bank was reestablished for the United States, the first since the "Second" Bank of the United States. The new bank was charged with maintaining sound credit conditions. To achieve this goal, the Federal Reserve System was given control over the minimum amount of reserves that member banks must hold for each dollar of deposits. It also obtained the power to lend money to member banks and regulate the types of assets they can hold. Members of the Federal Reserve System include national banks, whose membership is required, and state banks, whose membership is optional. Membership requires a bank to buy stock in the Federal Reserve System. Most large banks under state charter have joined the system.

(2) World War I (1914-1918) brought about inflation and a sharp postwar recession (economic slowdown). Although the banks had bought large quantities of U.S. government bonds during the war, they also lent large amounts of money to individuals engaged in stock market speculation. By investing in bonds, banks helped finance government expenditures during the war and the attendant expansion of American productive resources in the decade following World War I. By lending money to speculators, they became a major factor in the climb of stock prices and the wave of speculation that resulted in the crash of 1929.

1.5 BANKING DURING THE GREAT DEPRESSION

(1) The Great Depression of the 1930s dealt a severe blow to the commercial banking industry. Many banks failed (went out of business) when their loans could not be repaid. The number of commercial banks declined from 26,000 in 1928 to about 14,000 in 1933. Total deposits in these banks declined by about 35 percent. Depositors rushed to retrieve their money, a process known as a run on the banks, and the federal government was forced to close all the banks for four days in 1933 to stem the panic. It became apparent to observers that the Federal Reserve System had not solved all the problems of bank stability.

(2) Consequently, during the Great Depression, Congress recognized the importance of a sound banking system and created a number of agencies to restore public confidence in the banking system. Among the first of these was the Federal Housing Administration, which was created in 1934 to insure payment on home loans made by private lending institutions. The guarantee helped preserve the value of bank loans and enabled banks to continue to lend money to homebuyers.

(3) The Banking Act of 1933, also known as the Glass-Steagall Act, created the Federal Deposit Insurance Corporation (FDIC) to insure bank deposits, increase the confidence of depositors, and therefore prevent bank runs. Federal Reserve member banks were required to join the FDIC. Membership was optional for other banks. The Glass-Steagall Act also set interest rate ceilings on deposits to reduce competition among banks, which was considered a cause of bank failures during the Great Depression. It also prevented banks from becoming too involved in investment-banking activities, such as underwriting stocks or bonds for companies. Underwriting, which typically involves selling stocks or bonds at a guaranteed price, can be risky and can cause banks to fail. The act also prevented banks from buying stock, which is a risky activity if the stock market crashes. This prohibition on investment-banking activities lasted until the 1980s.

(4) The banking system began to recover in 1934. By 1937 deposits had reached pre-Depression levels. During World War II (1939-1945), deposits increased rapidly and more than doubled from 1941 to 1946. For the next 40 years the U.S. banking system went through a continuous expansion and modernization. In particular, there was an enormous increase in lending to consumers, through installment loans (loans for a fixed amount repaid in equal monthly payments) and credit card loans (loans for a varied amount repaid more flexibly)

1.6 BANKING AFTER WORLD WAR II

(1) Some of the legislation enacted during the Great Depression and in the immediate postwar period began to have negative repercussions on the banking industry by the 1970s, according to some experts. Interest ceilings on deposits, which were required by the Glass-Steagall Act,

evented banks from competing with unregulated money market funds or even bonds issued / the U.S. Treasury. As people withdrew deposits to earn higher interest elsewhere (a ocess known as disintermediation), SLAs found it increasingly difficult to raise funds to make ortgage loans. Many SLAs went out of business. Disintermediation was not the only problem LAs faced, however. Many SLAs decided to venture into business lending in the early 1980s ith drastic consequences as commercial real estate markets collapsed. Many business loans ent bad and forced even more SLAs out of business. In 1980, 3,998 SLAs existed in the nited States. By 1992 the number had dwindled to only 2,039. There were 672 SLA failures om 1989 to 1992 alone and over 1,200 overall. The SLA crisis ultimately led to the collapse of ie Federal Savings and Loan Insurance Corporation. It necessitated a restructuring of deposit isurance in the United States and a government bailout of the SLA industry that cost ixpayers an estimated $200 billion.

!) Restrictions on how banks could expand geographically also affected the industry. The Bank olding Company Act of 1956 prohibited bank holding companies from acquiring banks across state ies. As a result of geographic limitations on expansions, banks were forced to operate primarily in ical markets, which made banks particularly susceptible to local economic downturns. This act also estricted the activities of bank holding companies, limiting them to only those activities that were losely related to banking. Legislation enacted in the 1980s and 1990s began to address these ssues. The Depository Deregulation and Monetary Control Act of 1980 eliminated ceilings on iterest rates. The 1994 Riegle-Neal Interstate Banking and Branching Efficiency Act legalized iterstate banking, allowing banks to diversify geographically.

3) The most sweeping legislation, however, took place in 1999 when Congress removed iost of the remaining provisions of the Glass-Steagall Act and replaced it with the Gramm-.each-Bliley Act, named after Republican Party sponsors Phil Gramm, Jim Leach, and 'homas Bliley, Jr. The act also removed some of the restrictions of the Bank Holding Company Act of 1956 by permitting bank holding companies to engage in the full range of inancial services, including lending, deposit taking, investment advising, insurance, stock and iond underwriting, and other investment banking services. The act did not, however, allow iank holding companies to own nonfinancial businesses. Many observers believe that the new aw will increase the dominance of bank holding companies and lead to the establishment of so-called universal banks that offer a full array of financial services, including traditional ianking services, insurance, investment advice, and stock and bond brokerage services. Critics of the law, however, caution that the new law, combined with the provisions of the 1994 ict that ended restrictions on branching and allowed nationwide banking, may ultimately liminish competition for financial services in the United States.

2 *HISTORY OF THE FEDERAL RESERVE*

(1) Since the United States is basically a new born nation banks were in existence long before America declared its independence from Great Britain. Banks in America, however, were rather infantile institutions in comparison to their European cousins.

(2) From the 1700's to 1863 banking in America was much a microcosm of America herself. Banks were crude, basically unregulated and highly entrepreneurial. These early American banks were state chartered and the states offered precious little supervision. As was mentioned earlier banks came to issuing private paper currency. This currency was supposed to be backed by gold or silver deposits but deposits often failed to meet acceptable levels. In some cases there was never even an attempt to maintain proper reserve levels. As these unscrupulous somewhat insolvent banks proliferated they began to spread more and more "bad notes around the country. These banks, known as wildcat banks were becoming an increasing problem.

(3) Also during the early days of the American banks Alexander Hamilton proposed the creation of a nationally chartered bank which would exercise control over the nation's money supply and be authorized to extend credit to the government thus acting as a central bank. Thomas Jefferson and James Madison opposed the idea of a central bank altogether because, in their view, establishing a central bank exceeded the powers of the federal government under the strict interpretation of the constitution. Jefferson and Madison were convinced that the central bank would favor the already powerful northern merchant class. In fact, they were right and Hamilton knew it. Hamilton wanted the bank to issue loans thus tying the wealthy to the stability of the nation. In effect he was creating supporters tied to the new nation out of financial necessity.

(4) Congress bought the Hamilton plan. In 1791, it set up the First Bank of the United States. The bank's charter was designed to expire after 20 years but could be renewed by Congress. Actually, the First Bank of the United States performed reasonably well. It served as the government's fiscal agent and even succeeded in dampening the inclination of the state-chartered banks to overissue notes. How? Since many of the state bank notes found their way to the First Bank, the Bank could present the notes to the state banks for payment in gold or silver. Aware of this prospect, the state banks became more careful about issuing bank notes in excess of their gold and silver.

(5) In 1811, when the time came to renew its charter, Congress declined to do so. The advocates of states' rights won out. Over the next five years, the number of state-chartered banks almost tripled, from 88 in 1811 to 246 in 1816. Left without a central bank's restraining influence on the issuance of bank notes, bank note depreciation and fraud became rather commonplace. By 1814, most banks had suspended specie payment. That is, they would no longer convert paper bank notes into gold and silver. Would you put your gold into such a bank? It didn't take Congress long to regret having disposed of the First Bank. It became painfully clear that something had to be done to stabilize the money supply.

(6) The answer, just five years after the demise of the First Bank, was to establish the Second Bank of the United States. This time, Congress gave the national bank the right to issue its own notes. These soon became the most widely accepted currency in the nation, preferred to the less-trusted notes of the state chartered banks.

(7) Recognizing the weakness of these issues, the Second Bank pressed for sounder specie backing. The southern and western banks balked, viewing this pressure as discriminatory. Animosity toward the Second Bank intensified when it instructed northern banks not to accept bank notes from the southern and western banks which could not back their currency with gold and silver.

(8) Like the First Bank, the Second Bank was a success, unfortunately, like the First, it was abandoned. When Andrew Jackson, an opponent of central banking, was reelected to the Presidency in 1832, the Second Bank's existence was an election issue and Jackson promised to destroy the Bank. Unable to convince Congress to terminate the Banks charter, Jackson withdrew Treasury funds from the Second Bank and deposited it in state banks. This undermined the Second Bank's ability to control the issuance of notes by state banks. By 1836 it had become just another bank in Pennsylvania.

(9) From the demise of the Second Bank as a central bank until Congress passed the National Banking Act in 1864, the economy's money supply was once again left in the hands of the state banks. Once again, unsound loans and overissuing of notes led to an unhealthy climate of unreliable money.

(10) The cost of the Civil War pushed Congress far beyond its financial capabilities. The steady outflow of specie from the Treasury made it impossible for it to continue buying back its notes. Congress reluctantly allowed the Treasury to begin to print money. The Treasury printed Greenbacks, so called because of the ink used on the back side of the notes. They became the economy's most common, but rapidly depreciating, currency. Once again, the government faced two classic problems: How to provide it self with the financial resources it needed to carry on the affairs of government and at the same time, stabilize the monetary system.

(11) This time, it came up with a novel idea that ultimately was legislated in 1864 as the National Banking Act. The idea was to develop a national banking system. The act created a new office, Comptroller of the Currency, housed in the Treasury, which chartered national banks. A national bank had to buy Treasury bonds equal to one-third of its capital, and could issue notes only in proportion to its Treasury bond holdings. All nationally chartered banks had to have the words "national" or the initials "n.a." in their title. You can identify some national banks just by name. The Chicago First National, The First National of Toledo, the First National of Fresno, and so on.

(12) Now how do you reestablish people's confidence in the banking system? Banks were no longer allowed to accept real estate as collateral for loans, nor lend more than 10 percent of the value of their capital stock to any single borrower. Also, each bank was required to provide financial reports to the Comptroller of the Currency and was subject to periodic bank audits. To encourage state banks to switch over to the national system, the Comptroller levied a 10 percent annual tax on state-chartered bank-note issues. This was a steep tax and it virtually eliminated the use of state chartered bank issued currencies, but there wasn't a rush to conversion to become nationally chartered banks. For one thing, not all state-chartered banks could afford the minimal capital required to obtain a national charter. As a result, state-chartered and nationally chartered banks coexisted within the banking industry. This has become known as a dual banking system.

(13) The 1907 Knickerbocker disaster was the final straw that broke the camel's back. Both state and national banks, along with mushrooming financial trusts, were caught up in a whirlwind of speculative loans. In October, frightened depositors looked in horror at the collapse of the Knickerbocker Trust Company, a highly reputable and seemingly sound financial institution. The thought in everyone's mind-as it would have been in yours-was, Who's next? Panic spread. People ran to their banks to withdraw their deposits, and hard-pressed banks in turn scrambled for liquidity by calling in outstanding loans. Investment projects, in various stages of incompletion, were all-at-once suspended. Sound businesses, drained dry of credit, were forced into bankruptcy. The result was almost instant recession.

(14) Once again, Congress was forced to intervene. This time, with Knickerbocker still fresh in mind, Congress broadened its concerns from simply coping with the chronic problems of overissue of bank notes and inadequate collateral to include a newly perceived menace, the overreach of powerful financial trusts. The response came in the form of the Federal Reserve Act of 1913.

(15) Despite the creation of the Federal Reserve System in 1914 American banking policy was not fully developed. The reality is that many banks that had been only marginally sound during the 1920's and had lent more in risky speculative investments then they had in reserve. This was due to several reasons. One, federal law allowed banks to invest in real estate financial services. Banks were not just savings institutions, they were investment oriented. Two, only a small number of banks were members of the Fed and were not subject to the Fed's reserve requirements. Three, Federal Reserve policy was typically laissez faire in this period and did not take the policy steps needed to intervene in a potential collapse. Fourth, and last, deposits were not insured.

(16) In 1929 there were some 25,500 banks in America, none of which had any type of deposit insurance. When the stock market crashed many banks lost investments that were tied to the market. When what was in actuality a very small number of banks closed and declared insolvency, people panicked and rushed to the banks to get out their money. Lines that would ring around the block formed as there was a "run" on the banks. No bank, no matter how solvent, can withstand such a run because banks operate on what is known as fractionalized deposits, or the notion that only a fraction of the deposits are held on to. The rest of the money is used to make investments and a profit. Few could handle it the run and some had actually lost their depositors money. The nation was in a full blown panic and looked to newly elected President Franklin Delano Roosevelt for leadership. FDR declared a bank holiday closing the banks, banks were reopened months later after significant legislation had been passed. Banks were reformed and the panic had subsided. Insolvent banks were closed and depositors who lost money received some compensation. The banks that remained were more secure. They linchpin of FDR's plan was the creation of the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC). The purpose of these acts was to insure depositors against loss. Initially each depositor received coverage only $2,500 per depositor. Over the years its has increased and the limit is now $100,000

3 INSTRUMENTS OF CONTROL

(1) The Federal Reserve System exercises its regulatory powers in several ways, the most important of which may be classified as instruments of direct or indirect control. One form of direct control can be exercised by adjusting the legal reserve ratio - *i.e.*, the proportion of its deposits that a member bank must hold in its reserve account-thus increasing or reducing the amount of new loans that the commercial banks can make. Because loans give rise to new deposits, the potential is, in this way, expanded or reduced. This policy tool has not been used very frequently in recent years.

(2) The money supply may also be influenced through manipulation of the (also called rediscount) rate, which is the rate of interest charged by Federal Reserve banks on short-term secured loans to member banks. Since these loans are typically sought to maintain reserves at their required level, an increase in the cost of such loans has an effect similar to that of increasing the reserve requirement.

(3) The classic method of indirect control is through, first widely used in the 1920s and now employed daily to make small adjustments in the market. Federal Reserve bank sales or purchases of securities on the open market tend to reduce or increase the size of commercial-bank reserves; *e.g.*, when the Federal Reserve sells securities, the purchasers pay for them with checks drawn on their deposits, thereby reducing the reserves of the banks on which the checks are drawn.

(4) The three instruments of control described here have been conceded to be more effective in preventing inflation in times of high economic activity than in bringing about revival from a period of depression. A supplemental control occasionally used by the Federal Reserve Board is that of changing the margin requirements involved in the purchase of securities.

4 THE CANADIAN BANKING SYSTEM

(1) Because of Canada's close historical relationship with the United States and the United Kingdom, development of the Canadian banking system has been influenced by both countries. Unlike the United States, however, Canada always had a branch-banking system. Until 1994 banks in the United States were restricted to opening branches only in the city or state where they were incorporated. One of the first laws passed by Canada's Parliament after

confederation, in 1867, allowed any Canadian-chartered bank to operate in any part of the dominion. This law encouraged the growth of Canada's branch-banking system, in which a few large banks operate all the country's banking offices. In 2000 there were only 13 domestic banks in Canada, and the six largest controlled more than 90 percent of all bank assets in Canada. The remaining seven domestic banks accounted for about 2 percent of bank assets, and foreign banks accounted for about 7 percent of bank assets.

(2) The largest commercial banks of Canada operate extensively in foreign countries, particularly in the West Indies, Asia, and the United States. In addition to the usual business of commercial loans, Canadian banks operating in foreign countries have specialized in investment banking and wealth-management activities.

(3) The regulator of federally chartered Canadian banks and financial institutions is the Office of the Superintendent of Financial Institutions (OSFI), which was established in 1987. Since 1967 deposit insurance has been provided by the Canada Deposit Insurance Corporation (CBIC), which insures up to $60.000 Canadian per depositor per institution. Both the OSFI and the CBIC are Crown Corporations owned by the government.

(4) The central bank of Canada is the Bank of Canada. Created in 1935, it is owned by the Ministry of Finance and is responsible for Canadian monetary policy. Unlike the U.S. Federal Reserve, the Bank of Canada is also responsible for issuing and managing the national debt. In the United States, this function is performed by the Department of the Treasury. The primary policy group of the Bank of Canada is called the Governing Council. This group consists of the governor of the Bank of Canada, the senior deputy governor, and four deputy governors. The Bank of Canada is less independent of the government than is the U.S. Federal Reserve because it must consult with the minister of finance on policy matters.

5 CIBC

A graphical presentation of the formal structure of a business is the organisation chart. Read the text and draw an organization cart of the CIBC bank.

CIBC is a leading North American financial institution comprising three strategic business lines: CIBC Retail Markets; CIBC Wealth Management; and CIBC World Markets. CIBC provides financial services to more than nine million customers, including retail and small business banking customers as well as corporate and investment banking customers. CIBC offers a full range of products and services through its comprehensive electronic banking network and at branches and offices across Canada, the United States and around the world. CIBC has approximately 37,000 employees worldwide. CIBC has approximately 1,100 branches and offers customers the largest ABM network in Canada, with more than 4,400 ABMs in branch and non-branch locations across the country. CIBC is one of the largest corporate donors in Canada, contributing more than $48 million worldwide to charitable causes in 2003, including $25 million in Canada. As at October 31, 2003, CIBC had assets of $277.1 billion and a market capitalization of $21.4 billion. Net income for the year ended October 31, 2003 was $2,063 million or $5.18 per share. Strategic Business Units (SBUs) are Administration Group;Treasury; Balance Sheet and Risk Management; Trchnology and operation; Cards products and Collections; Wealth Management; Retail Markets; World Markets

CIBC Retail Markets provides financial services and products to personal and small business customers in Canada. These services are offered through the branch network, telephone banking, online banking and ABMs, as well as through the co-branded retail electronic banking business.

Continued leadership in cards: CIBC's cards business continued to have the #1 market share in both purchase volumes and outstanding balances.

Putting the customer first: CIBC continued to focus on improving the customer experience by:

- increasing the number of assistant branch manager and ambassador roles in many branches,
- introducing processes and tools to further enhance employee training in the branch network with personalized, focused learning plans, and

CIBC Wealth Management provides relationship-based advisory, sales, service and product solutions to the full spectrum of wealth-building clients, primarily in Canada. The business delivers a wide selection of investment products and services - full-service brokerage, discount brokerage, asset management, private banking, trust services, and a broad selection of investment and credit services through its branch-based sales force. We have the largest advisory distribution network in Canada with more than 2,200 full service advisors in our various sales forces; and are the third largest provider of mutual funds in Canada. Positions typically recruited for include:

- Investment Advisers Assistants,
- Sales Assistants.

CIBC *World Markets* is a leading North American investment bank with niche capabilities in the U.K. and Asia. We deliver innovative full capital solutions to growth-oriented companies and are active in all capital markets. We offer advisory expertise across a wide range of industries and provide equity and debt research for our investor clients.

Five *functional groups* in CIBC provide infrastructure support services.

1. Administration - provides governance and support services to CIBC and its strategic business lines.
2. Finance - provides accounting and financial reporting services to CIBC and its strategic business lines.
3. Treasury, Balance Sheet and Risk Management - manages CIBC's balance sheet resource allocation process and also measures, monitors and controls CIBC's exposure to risk.
4. Technology and Operations - provides a wide range of shared technology and operations services.
5. Corporate Development - reinforces an owner-manager mindset among CIBC's leaders to develop and grow their business.

The Administration Group provides governance and support services to CIBC and its strategic business units. It comprises the following functions: Human Resources, Corporate Real Estate, Legal and Compliance, Internal Audit and Corporate Security, and Communication and Public Affairs. Its mandate is to establish bank-wide processes to ensure that CIBC, its subsidiaries and its businesses all operate in an efficient, controlled and integrated manner.

A sample of the type of jobs found within the Administration Group includes:

- Audit Managers
- Senior Auditors
- Auditors
- Human Resources Consultants
- Senior Human Resources Consultants
- Employee Relations Consultants
- Resourcing Consultants
- Senior Compliance Officers
- Compliance Officers
- Legal Counsel
- Executive Assistants
- Communication Consultants/Specialists
- Human Resources Coordinators

The Finance Group mandate is to provide financial management services to CIBC and its strategic business units. In the current dynamic environment, having strong internal control systems and processes are vital to ensuring that CIBC remains a leading financial services company. The Finance Group, along with other Administration group functions, is key to maintaining and enhancing these systems and processes.

The group is responsible for ensuring the accuracy, completeness and timeliness of information on CIBC's books and records and providing planning and analysis, as well as support for performance measurement throughout the year. Through emphasis on superior client service and ongoing development of our employees, we seek to continuously improve our financial management capabilities.

Treasury Balance Sheet & Risk Management's (TBRM) mandate is to actively manage CIBC's businesses by ensuring that the allocation of risk and balance sheet (including capital) resources is directed to higher-return and/or strategic growth activities.

TBRM optimizes the linkage between balance sheet (including capital) and risk by uniting activities, such as balance sheet and risk resource allocation, measurement and monitoring within a single framework.

The group is responsible for the following areas and activities:

- Risk Management identifies, measures, monitors and controls CIBC's global credit, market, liquidity and operational risk exposures. It develops and recommends risk management policies; measures and monitors compliance with established policies; develops and implements methodologies to measure and monitor risk; and designs and implements the infrastructure necessary to measure and monitor risk.
- Treasury provides bank-wide asset/liability, funding, liquidity, and cash and collateral management.
- Credit Portfolio Management (CPM) applies market-based techniques to the management of credit risk-related capital. CPM also applies credit models to the analysis of the bank's large corporate credit portfolio.
- Balance Sheet (including Capital) Management ensures that CIBC is strongly capitalized and that the bank's capital is structured in the most effective manner. It also manages capital in the bank's legal entities. Activities include recommending and implementing share repurchase programs, capital issuance, and placements. The critically important balance sheet and capital resource allocation process resides here.
- Controller's Division, which provides accurate, complete timely and cost-effective accounting records, financial reports and independent financial analysis for the CIBC group of companies.
- Planning & Analysis, which provides advice and service through independent financial analysis for the CIBC group of companies. This includes efficient delivery of the financial plan, outlook and interpretation of results of the CIBC group of companies and businesses.
- Retail Markets, Wealth Management and Infrastructure Finance, which provides accurate, timely and cost-effective finance support to meet the needs of the Retail Markets, Wealth Management and Infrastructure groups.
- World Markets, Treasury, Balance Sheet and Risk Management (TBRM) Finance, which provides accurate, timely and cost-effective finance support to meet the needs of the World Markets and TBRM business units.

- Strategic Initiatives and Business Management, which provides strategic leadership, support, and decision making on Finance operational issues, strategic projects, programs and initiatives.
- Taxation, which provides a complete taxation service to the Bank. This service includes dealing with the Bank's income , capital, and sales tax costs, the provision of advice and support to Bank

Positions typically recruited for include:

- Market Risk Manager
- Senior Treasury Analyst
- Portfolio Risk Specialist
- Manager, Portfolio Analysis
- Private Equity Fund Administrator

Technology and Operations (T&O) provides a wide variety of services and support to every area of CIBC - from the technology infrastructure that our systems run on, to the facilitation of over 23 debit card transactions per second, to the enterprise vendor arrangements that save millions of dollars each year, to the $100 billion in trades that we process daily - T&O provides the technology and operations leadership that makes CIBC a world-class bank. You will have the opportunity to explore a diverse organization and challenge yourself every day through a variety of work:

- Work together with our business partners - the various lines of business within the bank - to ensure we remain competitive
- Implement best solutions so CIBC provides industry leadership
- Be part of a project team
- Experience a variety of technologies including Java, ETL, HTML, XML, weblogic, websphere, Oracle, Unix, C/C++

Positions typically recruited for include:

- Java and ETL Developers
- Project and Process Coordinators
- Technical Project Managers and Directors
- Mainframe, Client Server and Web Technology Testers and Test Analysts
- Operations and Network Support
- Business Specialists and Business Analysts

Technology and Operations - *Card Products Division*

Card Products Division is the #1 credit card issuer in Canada. Our goal is to provide the highest quality and best value through CIBC's family of credit cards. Card Products Division is more than 1700 people strong working in offices located in Montreal, Toronto and Vancouver.

Positions typically recruited for include:

Customer Service Contact Representatives
Call Centre Managers
Fraud & Loss Prevention Specialists
Facilitators
Financial Analysts
Administrative Coordinators
Executive Assistants
Analytics Consultants/Data Modellers
Relationship Managers
Marketing/Product Managers

Technology and Operations - *National Collections*

National Collections plays an important role in the growth and profitability of the retail bank by reducing CIBC's loan losses and improving margins.

A leader in receivables management, CIBC was one of the first North American financial institutions to successfully adopt a customer-centric approach to collections. National Collections' unique capability of discussing all of the customer's relationships in one phone call supports CIBC's brand and service excellence. CIBC National Collections is more than 560 people strong, working in offices located in Montreal, Toronto and Vancouver.

Positions typically recruited for include:

Credit Counsellors	Coordinators/Assistants
Collections Managers	Portfolio Risk Managers
Administrative	Risk Analysts
	Learning & Development Facilitators

6 *THE ROYAL BANK OF SCOTLAND*

(1) The Royal Bank of Scotland was founded by Royal Charter on 31 May 1727. The new bank opened for business in Ship Close, Edinburgh in December 1727 and immediately began issuing its own Bank Notes a practice which continues today. On the first anniversary of its foundation the bank invented the overdraft and its first branch was opened in Glasgow in 1783.

(2) The present Royal Bank of Scotland was created through a series of mergers and acquisitions, including Drummonds Bank in 1924, William Deacon's Bank in 1930 and Glyn, Mills & Co in 1939. Both Glyn Mills and William Deacon's Bank continued in business as separate entities and, together with The Royal Bank of Scotland traded as the Three Banks Group until 1970 when the two London clearing banks combined to form William & Glyn's Bank Ltd.

(3) In addition, in 1969, The Royal Bank of Scotland amalgamated with National Commercial Bank of Scotland. Sixteen years later, in September 1985, the business of William & Glyn's Bank and The Royal Bank of Scotland were merged. In 2000, it made a successful bid to take over the London-based National Westminster Bank.

(4) In 1969, the Royal Bank Group set up what was at that time a novel style of car insurance company known as Direct Line based on telephone contact with the customer. Direct Line now also provides other insurance services such as home insurance.

(5) In 1972 the Royal Bank Group acquired Citizens Financial Group in New England, USA. Over the years this has been expanded and now operates more than 770 Citizens Bank branch offices in Connecticut, Massachusetts, New Hampshire, Rhode Island, Pennsylvania and Delaware with some $50 billion in assets, 770 branches and more than 12,000 employees.

(6) The Royal Bank of Scotland has its Headquarters in the centre of Edinburgh at 42 St Andrew Square. The ceiling of the Head office, shown here, is featured on all of their Bank Notes. The Group provides a comprehensive range of banking, insurance and related financial services.

(7) The Group is active in Europe to serve and develop its UK banking customer base and in the north-east USA. Particularly valuable is the strategic alliance with Spains's Banco Santander which permits the two organisations to compare business experiences and pursue joint ventures. The alliance gave rise to a pan-Eropean electronic banking service, IBOS.

(8) The Royal Bank of Scotland site has details on the Scottish Economy including a regular index of oil and gas industry production and a Scottish Retail Sales Monitor.

7 *PROFITABILITY*

(1) Large banks in the United States are some of the most profitable corporations, especially relative to the small market shares they have. This amount is even higher if one counts the credit divisions of companies like Ford, which are responsible for a large proportion of those company's profits. For example, the largest bank, Citigroup, which for the past 3 years has

made more profit than any other company in the world, has only a 5% market share. Now if Citigroup were to be as dominant in its industry as a Home Depot, Starbucks, or Wal Mart in their respective industries, with a 30% market share, it would make more money than the top ten non-banking U.S. industries combined.

(2) In the past 10 years in the United States, banks have taken many measures to ensure that they remain profitable while responding to ever-changing market conditions. First, this includes the Gramm-Leach-Bliley Act, which allows banks again to merge with investment and insurance houses. Merging banking, investment, and insurance functions allows traditional banks to respond to increasing consumer demands for "one stop shopping" by enabling cross-selling of products (which, the banks hope, will also increase profitability). Second, they have moved toward risk based pricing on loans, which means charging higher interest rates for those people who they deem more risky to default on loans. This dramatically helps to offset the losses from bad loans, lowers the price of loans to those who have better credit histories, and extends credit products to high risk customers who would have been denied credit under the previous system. Third, they have sought to increase the methods of payment processing available to the general public and business clients. These products include debit cards, pre-paid cards, smart-cards, and credit cards. These products make it easier for consumers to conveniently make transactions and smooth their consumption over time (in some countries with under-developed financial systems, it is still common to deal strictly in cash, including carrying suitcases filled with cash to purchase a home). However, with convenience there is also increased risk that consumers will mis-manage their financial resources and accumulate excessive debt. Banks make money from card products through interest payments and fees charged to consumers and companies that accept the cards. The banks' main obstacles to increasing profits are existing regulatory burdens, new government regulation, and increasing competition from non-traditional financial institutions.

(3) Worldwide assets of the largest 1,000 banks grew 15.5% in 2005 to reach a record $60.5 trillion. This follows a 19.3% increase in the previous year. EU banks held the largest share, 50% at the end of 2005, up from 38% a decade earlier. The growth in Europe's share was mostly at the expense of Japanese banks whose share more than halved during this period from 33% to 13%. The share of US banks also rose, from 10% to 14%. Most of the remainder was from other Asian and European countries.

(4) The US had by far the most banks (7,540 at end-2005) and branches (75,000) in the world. The large number of banks in the US is an indicator of its geographical dispersity and regulatory structure resulting in a large number of small to medium sized institutions in its banking system. Japan had 129 banks and 12,000 branches. In Western Europe, Germany, France and Italy had more than 30,000 branches each. This was twice the number of branches in the UK.

8 THE RISE AND FALL OF EXCHANGE RATES

(1) A consumer in a given country will not notice a change hi the exchange rate as long as he or she buys only goods produced domestically. But the prices of the same country's goods for a foreign buyer very definitely are affected by changes hi the rate at which the currencies of the buying and selling countries can be exchanged. So ending economic isolation requires a currency that is convertible.

(2) Currencies like other commodities such as tea or oil, have a certain value. The only difference is that each currency's value is stated in terms of other currencies. French francs have a value in US dollars, which have a value in British pounds, which have a value in Japanese yen. These exchange rates change every day and are constantly updated in banks and foreign exchange offices around the world. The world's foreign exchange markets are all linked electronically. Like other markets they are subject to the laws of demand and supply. If enough traders want to buy US dollars, its value will go up, i.e., it will take more of other currencies to buy dollars and vice versa. Twenty years ago, for example, one US dollar could buy four German marks; today, one US dollar buys less than two German marks. As anyone may notice, the exchange rate is slightly different if the customer is buying or selling any one particular currency. This spread between the "buy" and "sell" rates ensures that banks and exchange bureaus make a small profit every time one currency is changed into another. Foreign exchange prices are influenced by economic and political events and sometimes by the speculation of individual traders.

(3) A currency that is overvalued, or too costly, will stimulate purchase of foreign-made goods (imports) and discourage the sale abroad of domestic-made goods (exports). This will likely lead to reduced production and unemployment in some sectors of the economy (and regions within a nation). But it will also likely increase production and employment in other areas more dependent on exports. In contrast, when an exchange rate is too low, it provides an incentive for foreigners to buy the country's "cheap" exports, sending a flood of new money into the exporting country. This creates inflationary pressures and higher prices at home.

(4) During periods of economic turmoil, the world often turns to a particular currency as a refuge. When political or social unrest threatens other currencies around the world, traders and investors rush to buy hard currencies as US dollar and German mark, which are expected to preserve their value in tunes of trouble.

(5) During the cold war, the former USSR was reluctant to put too much of its US dollar reserves under the control of the authorities in the USA. Inste3d it turned to European banks to keep these dollars abroad, and those reserves took the name of Eurodollars. Nowadays, any currency held abroad, even outside Europe, is called a Eurocurrency. In the 1970s a huge market developed for Eurocurrencies when Arab oil producers started keeping a large part of their newly earned petrodollars in Europe. This flood of foreign capital needed to be invested, so banks began issuing US dollar bonds called Eurobonds, outside the control and regulations of the US government.

9 *IT'S INTERESTING TO KNOW*

9.1 High Net Worth Individual

(1) A high net worth individual is a person with large personal financial holdings. Traditionally the term used was millionaire, but in recent years the term high net worth individual has become the descriptor of choice. A high net worth individual has financial assets worth more than US$1 million.

(2) High net worth is used to describe financial assets, discounting real-estate. This makes a large difference in the number of people who may be classed as high net worth individuals: in 2003 there were nearly 2.2 million people in the United States who would be classified as having high net worth, while over 7.9 million people had assets including real estate worth in excess of a million dollars. In addition to the category of high net worth individuals (HNWIs), there is a second category, called ultra-high net worth individuals (UHNWIs), comprised of people with financial assets in excess of US$30 million. In the global population, this second category makes up approximately 1% of the total high net worth population.

(3) The prestige once associated with being a high net worth individual has diminished somewhat in the past few decades, as this level of wealth becomes more and more common, particularly in the United States. Throughout the United States, one may find entire neighborhoods populated solely by high net worth individuals, and in some sectors of the business world it is not uncommon for the average employee to be propelled to high net worth status by their yearly income. With the depreciation of the dollar against many foreign currencies, large sections of foreign populations were also raised to the status of high net worth individuals simply as a result of the relative value of their wealth.

(4) In addition to the advancement of a large sector of people to high net worth status, a not-insubstantial number of people have reached levels of "super millionaire" or "billionaire", both of which act to leave "normal" high net worth individuals feeling as though they are in a lower class. As of 2005, there were more than 600 US-dollar billionaires in the world, with the top 34 having in excess of US$10 billion. With wealth at these levels, entire tiers of luxury exist that are inaccessible to those high net worth individuals having only a few million dollars at their disposal.

Companies exist which cater exclusively to high net worth individuals and their lifestyles. Everything from personal real-estate, jewelry brokers, kidnap and ransom insurance, yachting, and financial investment has specialists who devote themselves to high net worth or ultra-high net worth individuals and their specific needs.

9.2 Offshore Bank Account

(1) If the term **'offshore bank account'** conjures up images of fugitive billionaires and organized crime bosses, be prepared for a reality check. Generally speaking, any bank account opened outside of one's native country can be considered an offshore bank account. There is usually not much difference in service or benefits between the bank on the corner and a bank located in the Cayman Islands. The appeal of an offshore bank account is much more apparent during tax time, when assets and income must be reported to the IRS or other government revenue agencies abroad.

(2) Because the banking industry is perhaps 10% storage and 90% accounting, many smaller countries can offer offshore bank account services without a substantial investment of their own. Island nations such as the Cayman Islands or the Channel Islands can successfully compete with Switzerland or Belgium for offshore banking customers. Local laws can limit or eliminate the taxes placed on traditional bank accounts. This is why some companies and wealthier individuals prefer to open an offshore bank account in small sovereign states which allow account holders to remain virtually anonymous.

(3) For many years, an offshore bank account was indeed a convenient way to hide profits from illegal activities or underreported business earnings. The United States' Internal Revenue Service (IRS) would have little knowledge of money deposited elsewhere. The offshore banks were not obligated to report the existence of these accounts, and the account holders could legally pay little to no taxes to the host country. In recent years, however, the rules governing an offshore bank account have become much stiffer. Any bank account containing over $1,000 USD must be reported as income to the IRS, even if that bank account is in the Cayman Islands or Ireland.

(4) Many people consider opening an offshore bank account for very legitimate financial reasons. Residents of a politically or economically unstable country may arrange for an offshore bank account in a more stable country. If the government should collapse financially, residents can still protect their money from a run on the national bank. Those who travel frequently to Europe or the Orient may benefit from an offshore bank account in England or Japan. The exchange rate between foreign currencies is often more favorable with 'local' accounts. With the advent of electronic banking, the holder of an offshore bank account can easily conduct routine transactions without traveling abroad.

(5) There is still a stigma attached to an offshore bank account because of some gray-area financial dealings, but there is nothing illegal or unethical about opening one for legitimate reasons. Some foreign banks may require a substantial initial deposit or other restrictions, but the benefits of a lower tax obligation or higher interest rate usually outweigh these hurdles. Most accounts are protected by international banking insurers. Many foreign banks which offer offshore bank account services advertise on the internet and investment-oriented periodicals.

9.3 Investment Club

(1) Investment clubs have been around for many decades and have been growing in popularity due to increased interest in the stock market. By joining investment clubs, users are able to pool their money to increase their buying power, share their collective knowledge, and socialize while making their investments.

(2) Typical investment clubs usually meet once a month. Members take turns researching investments and then share their ideas with the other members of the group. These meetings also serve as an occasion for members to contribute to a monetary fund used for purchasing stocks, mutual funds or other types of investments. For the procrastinating investor, this may be a huge benefit. In order to remain a member, he or she will need to make the monthly dues.

(3) One of the goals and benefits of investment clubs is the opportunity to learn. Successful clubs generally put as much effort into researching and learning rather than just simply buying. Experts in the field can serve as guest speakers for the group, and there may be required reading of books and other publications before each meeting. Purchasing this knowledge is more cost-effective than if an individual were to just do it alone.

(4) Starting investment clubs does not have to be difficult, and due to the educational aspect, does not require any special knowledge. A group of friends or co-workers usually comprise a club, making them a safe environment with a strong comfort factor. Beginner topics such as how to read stock listings, or how to calculate P/E ratios are excellent ways to start out. Later, the group can graduate to much more advanced topics as both the knowledge and the financial capital of the group increases.

(5) While investment clubs are excellent choices for the beginning investor, they aren't limited to just people new to investing. For the veteran investor investment clubs offer an opportunity to learn from other experts, or as a free way to learn about new industries and markets. Rather than paying a professional, all that's needed is to share some knowledge in return.

(6) It is calculated that investment clubs today hold more than $175 billion dollars of equities. This amount of money rivals even the largest mutual funds, making them a powerful force. For an investor looking to earn some returns on his or her money and learn a lot in the process, there is no better value.

VOCABULARY

UNUT 1

Text 1.1

acceptable	приемлемый, допустимый
adequately	в достаточной мере, соразмерно
arrangement	решение, урегулирование
coincidence	совпадение
cumbersome	обременительный, тягостный
deferred payment	отложенный (отсроченный) платеж
deteriorate	ухудшать
exchange rate	курс обмена
installment	очередной взнос (при покупке в рассрочку, при погашении банковского кредита серией платежей и т. п.); частичный платеж
insure	страховать, гарантировать, обеспечивать
laborious	трудоемкий; сложный для выполнения, осуществления
medium	средство
payment promise	платежное обязательство
seek out	искать, разыскивать кого-либо
spread	распространять
stock	1) акционерный капитал; основной капитал; фонды; 2) доля акций, акции
surplus	излишек, превышение поступлений над расходами; активное сальдо (торгового или платежного баланса)
whereby	посредством чего, при помощи чего
commodity	товар
medium of exchange	средство обмена
take for granted	считать само собой разумеющимся
measure of value	мера стоимости
bushel	бушель
in terms of	с точки зрения
store of value	средство "сохранения стоимости"
hold a stock	хранить запас
insure	страховать
handling costs	стоимость погрузочно-разгрузочных работ
accumulate	накапливать
apparent	явный
deferred payment	отсроченный платеж, рассрочка
hire purchase	покупка в рассрочку
pay by means of installments	выплачивать частями
pattern	образец, модель, шаблон

Text 1.2

blood money	вира (компенсация за убийство при кровной мести)
ingot	слиток
debasement	понижение (качества), уменьшение ценности
fiat money	неразменные бумажные деньги
Asia Minor	Малая Азия
granary	амбар, житница
social setting	социальные условия
dowry	приданное
Stone Age	каменный век
commonplace	общепринятый

Text 1.3

cash	наличные деньги
cash in the bank account	безналичные деньги
make payments	производить оплату
be durable	прочный
be acceptable	быть законным платежным средством
legal tender	законное платежное средство
be portable	легкий
be divisible	делимый
be superior to smth	превосходить что-либо
replace smth by smth	заменять что-либо на что-либо
be an advantage	являться преимуществом
be free from a disadvantage	не иметь недостатков
be credited to smth/smbd	приписываться чему-либо/кому-либо
mint coins (v)	чеканить монеты
a mint	монетный двор

Text 1.4

bullion	золотой слиток
take smth for safe keeping	принимать что-либо на хранение
issue a receipt	давать расписку
acknowledge the deposit of money	подтверждать получение денег
incorporate a promise	содержать обещание
hold a receipt	иметь на руках расписку
change hands	переходить из рук в руки
be payable to bearer	полежать выплате предъявителю
exercise a fuction	выполнять функцию
keep money and valuables on safe deposit	принимать деньги и ценности на хранение
be good for payment	быть законным платежным средством
lend	давать ссуду
pay a fee (commission)	вносить деньги за услуги
have cash in hand	иметь наличность в своем распоряжении
charge interest	взимать проценты

Text 1.5

fiat	декрет; указ; приказ
commodity money	товарные деньги (обладающие внутренней ценностью в отличие от бумажных; например, золото или серебро)
redeem	погашать, выкупать
intrinsic value	действительная стоимость
acceptability	премлемость
face value	нарицательная цена, номинальная стоимость
deposit money	депозиты до востребования; деньги на депозите
reserve requirements	резервные требования (доля пассивов, которую коммерческие банки согласно правилам центрального банка, должны держать на беспроцентном счете в центральном банке)
deposit liabilities	обязательства банка по депозитам, депозитные обязательства
dollar volume	объем денежных поступлений в долларах
assets	активы
interest-bearing account	счет, приносящий процентный доход
advance notice of withdrawals	предварительное уведомление об изъятии
consistent	последовательный, совместимый, согласующийся

Text 1.6

tax	облагать налогом, подвергать обложению (налогом)
net reduction	общее сокращение
flow of income	динамика доходов
budget surplus	профицит бюджета
take action	принимать меры
collection of revenue	получение дохода
offset	компенсировать
cutback	понижение, снижение, сокращение, уменьшение
inflationary pressure	инфляционное давление
public works expenditures	общественно-государственные расходы, расходы на государственные нужды общественные работы

UNIT 2

Text 2.1

investment bank	инвестиционный банк
security broker/dealer	брокер/диллер, ведущий операции с ценными бумагами
mortgage company	ипотечный банк
real estate investment trust	учреждение, специализирующееся на инвестициях недвижимости
checking account	счёт, позволяющий в любой момент вносить и снимать деньги (до востребования)
savings account	депозитный счет
make loans	предоставлять ссуды
cash checks	получать деньги по чеку, обналичивать чеки
wire transfer	телеграфный перевод
cashiers check	банковский чек
issue credit cards	выдавать кредитные карты
debit cards	платежная карточка, дебетовая карточка
retail banking	банковское обслуживание частных лиц, мелкой клиентуры
investment banking	инвестиционная деятельность банков
non-profit making	некоммерческий, не предназначенный для получения прибыли
profit-making	коммерческий
non-commercial body	некоммерческая организация.
lender of last resort	последний кредитор в критической ситуации
community development bank	местный банк развития, обслуживающий небольшой населенный пункт
underwrite	гарантировать
stock and bond issues	эмиссия акций и облигаций
merger	слияние
tax-haven	укрытие от налогов
insurance coverage	общая сумма исков по договору страхования

Text 2.2

enable	давать возможность, право что-либо делать
financial intermediation	финансовое посредничество
raise funds	мобилизовать капитал
inter-bank market	межбанковский рынок
capital market	рынок капитала (рынок, на котором ведется торговля долгосрочными финансовыми инструментами, представляющими долговые обязательства или участие в капитале; его основная функция — обеспечение финансов для реальных инвестиций)

money market	денежный рынок, рынок краткосрочного капитала (рынок краткосрочных займов, служащий для удовлетворения межбанковских нужд в размещении и привлечении денежных средств, потребностей предприятий в оборотном капитале; агентами денежного рынка являются банки, брокерские и дилерские фирмы, другие финансово-кредитные учреждения)
prudent	предусмотрительный
withdraw deposits	изымать вклады
fractional-reserve banking	частичное резервирование
susceptible	подверженный
trigger	инициировать
liquidity risk	риск ликвидности
interest rate risk	риск процентной ставки
credit risk	кредитный риск, риск неплатежа
the Basel Capital Accord	Базельское соглашение
promulgate	объявлять, провозглашать, опубликовать
Bank for International Settlements	Банк международных расчетов (международная валютно - кредитная организация, функционирующая на чисто коммерческой основе и координирующая валютно - финансовую политику стран - членов; создан в 1930 г.; обслуживал клиринговые платежи Европейского платежного союза)
deposit insurance	страхование депозита (По закону, каждый банк обязан застраховать вклад до оговоренного уровня от ситуации, когда банк не сможет выполнить свои обязательства. Страхование осуществляется при участии Федеральной корпорации страхования депозитов.)
wipe out	нанести сокрушительный удар, уничтожить
short term assets	краткосрочные активы
step in	вмешаться

Text 2.3

Phoenicia [fi'niʃiə]	Финикия
safe-deposit vault	хранилище ценностей, депонированных в банке
prompte	толкать к чему-либо
facilities	услуги
bank of deposit and transaction	депозитный банк
publicly owned	находящийся в государственной собственности или в собственности публично-правовой корпорации
deposit receipts	депозитная квитанция, сохранная расписка
repository for government receipts	хранилище бюджетных поступлений государственныех доходов
check clearing	чековые взаимозачеты между банками
honor	выполнять обязательства
deposit withdrawals	изъятие депозитов
debt instruments	долговые инструменты (облигации, векселя, депозитные сертификаты и т.д.)
open market operations	операции на открытом рынке

UNIT 3

Text 3.1

repository for government receipts	хранилище бюджетных поступлений государственных доходов
check clearing	чековые взаимозачеты между банками
honor	выполнять обязательства
deposit withdrawals	изъятие депозитов
debt instruments	долговые инструменты (облигации, векселя, депозитные сертификаты и т.д.)
open market operations	операции на открытом рынке

Text 3.2

dissipate	исчезать, рассеиваться
intact	нетронутый, целый
watchdog	наблюдательный, контрольный, ревизионный орган
nucleus	ядро, центр
overlap	перекрывать
compromise	компрометировать, подрывать (репутацию, доверие, и т. п.); подвергать риску, опасности
guardian	защитник
tier	уровень
Federal Open Market Committee	Комитет по операциям на открытом рынке Федеральной резервной системы (ФРС) Состоит из членов Совета управляющих ФРС и президентов Нью-Йоркского и четырех других федеральных резервных банков. Собирается раз в один или полтора месяца, чтобы выработать политику ФРС на открытом денежном рынке для воздействия на денежное обращение, объемы кредитования, процентные ставки, а также политику на валютном рынке
rotate voting	чередовать голосование
commitment	обязательство, приверженность, взгляды

Text 3.3

thriving	преуспевающий, процветающий
clearing system	клиринговая система (система расчетов по платежам, чекам или ценным бумагам, созданная группой финансовых учреждений)
non-interest bearing account	беспроцентный счет
Treasury Bills	казначейские векселя
gilt-edged stock	первоклассная (гарантированная, золотообрезная) ценная бумага
redeem securities	погашать ценные бумаги
register of gilts	реестр первоклассных ценных бумаг

framework	основа, структура, рамки
takeover	поглощение компании, слияние компаний
intervene	вмешиваться
Royal Mint	Королевский монетный двор
fluctuation	колебания
short-dated bill	короткий (краткосрочны) вексель (с оплатой через 1-10 дней после предъявления)
discount house	учётный дом (вид коммерческого банка в лондонском Сити; выполняет краткосрочные операции на денежном рынке, учёт векселей)
follow suit	ходить в масть
lending rate	ссудный процент
deposit rate	ставка процента по вкладам
corporate	акционерный, корпоративный
body	зд. организация
public	зд. государственный
interest rates	процентные ставки
Chancellor of Exchequer	министр финансов

Unit 4

Text 4.1

savings and loan associations	ссудо-сберегательные ассоциации
credit unions	кредитный союз (Кооператив, принимающий вклады своих членов и предоставляющий полный набор банковских услуг на льготных условиях. Обычно открыт для служащих определенной компании или организации.)
assets	активы
liabilities	обязательства, пассивы
bank holding company	банковская холдинговая компания (компания, владеющая контрольными пакетами акций одного или нескольких банков)
underwrite	гарантировать (размещение займа или ценных бумаг; принимать риск размещения новых ценных бумаг путем их покупки у эмитента для последующей продажи инвесторам)
retain	аккумулировать, сохранять
checking account	1) специальный счёт, с которого снимаются деньги по чекам клиента 2) счёт, позволяющий в любой момент вносить и снимать деньги (до востребования)
mutual savings banks (MSBs or mutuals)	взаимно-сберегательные банки
state chartered	банк, действующий по юрисдикции штата
federally chartered	банк, действующий по юрисдикции федерального правительства
meet expenses	возместить расходы
set aside reserves	отложить, создать резервы

Dialogue

broker	брокер, маклер
brokerage	1)брокерское вознаграждение, комиссионные брокера; 2)брокерское дело, маклерство, посредничество
firm of (stock) brokers	брокерская фирма
brokerage house (US)	брокерская фирма
commercial bank	коммерческий банк
credit union	кредитный союз
disbursement	выплата в порядке погашения
exchange equalization account	валютный уравнительный счет
fiduciary	доверенное лицо, фидуциар
finance company	финансовая компания
lend (v) (lent, lent)	ссужать, давать взаймы, одалживать
lending institution	кредитное учреждение
national bank	национальный банк
Savings And Loan Association	ссудно-сберегательная ассоциация (ам.)
ration (v)	нормировать
security, securities	ценные бумаги
state bank	государственный банк
stock exchange	фондовая биржа
scrutiny	проверка
subscribe (v)	подписываться на ч.-л., приобретать по подписке
subject to	подлежащий чему-либо
The Treasury	казначейство, министерство финансов
United States Treasury (Departament)	казначейство, министерство финансов (ам.)
to some extent	в какой-то мере, до какой-либо степени
transaction	сделка
trust	траст, кредит
trust company	трастовая компания

Text 4.2

mortgage	ипотека
home equity	собственный капитал
investment management	управление капиталовложениями
treasurer	казначей, заведующий кассой, заведующий финансовым отделом
issuer	эмитент
custodian	банк, принимающий на хранение ценные бумаги
custody	хранение
net worth	стоимость имущества за вычетом обязательств
brokerage service	брокерские услуги

assets	активы
excess	превышение
revenue	доход
CFO (chief financial officer)	главный финансовый администратор
a host of	совокупность, масса
institutional investors	организации-инвесторы
derivative instruments	производные инструменты (контракты, стоимость которых определяется стоимостью основных финансовых активов)
trading	коммерческая деятельность
critical	насущный, важный, основной

Text 4.3

commercial bank	коммерческий банк
retail bank	розничный банк (занимается обслуживанием мелкой клиентуры)
building society	жилищно-строительный кооператив, выполняющий функции сберегательного учреждения: прием вкладов и выдача ссуд на приобретение домов
merchant bank	торговый банк
national savings	национальный сберегательный банк
discount house	учетный банк
premium bond	облигация выигрышного займа
option bond	облигация с правом досрочного погашения

Text 4.5

corporate finance	финансы частной корпорации ценных бумаг
investment management	управлением портфелем ценных бумаг
subsidiary	дочерняя компания
quasi -sovereign bodies	квазисуверенные организации
merger	поглощение, слияние
takeover	слияние компаний взятие под свой контроль и управление
diverse	разнообразный
property asset	собственный капитал
deal in securities	заниматься ценными бумагами

Text 4.6

pursuant to	в соответствии с
solvency	платежеспособность
phase out	постепенно прекращать, свертывать (производство, выпуск и т.д.)
obsolete	1) вышедший из употребления 2) устарелый, изношенный
correspondent account	корреспондентский счёт (мелкого банка в крупном)
regulatory act	распорядительный акт
Banking Code	Банковский кодекс

UNIT 5

Text 5.1

banking community	банковское сообщество
to meet a business pattern	соответствовать характеру деловой активности
organization chart	организационная структура
to attract consumer-oriented deposits	привлекать потребительские депозиты
trust-account holder	бенефициар доверительного счета
to offer new facilities	предлагать новые услуги
full-service bank	банк, предоставляющий полный спектр услуг
to meet new challenges	отвечать новым потребностям
within the framework of	в рамках ч-л
to provide services nationwide (internationally)	предоставлять услуги внутри страны (за рубежом)
to find one's manifestation in smth	быть ключом к ч-л
division	управление
chief administrative officer	высшее должностное лицо
Treasury	управление, курирующее операции с наличностью, финансовые и инвестиционные вопросы
FX (foreign exchange) market operations	операции на валютном рынке
money market operations	операции на рынке краткосрочных долговых бумаг

Text 5.2

to enter figures in ledgers	вносить цифры
to have a flair for people/for figures	разбираться в людях /иметь чутье на цифры
to switch careers without changing bank	менять род занятий в пределах банка
employment options	возможность выбора вида деятельности
credit analyst	экономист-аналитик кредитного управления
loan work-out specialist	специалист по просроченным кредитам
to attend an extension course	учиться на курсах повышения квалификации
to inquire into the causes of bad loans	исследовать причины просроченных кредитов
to balance one's own cash position	сальдировать кассовый остаток
solid background in accounting	прочные знания в области бухгалтерского учета
Auditing and Control Personnel	служащие контрольно-ревизионного отдела
proficiency and expertise	мастерство и компетентность
to acquire managerial experience	приобретать опыт управления
to meet a common challenge	решать общую задачу

UNIT 6

Text 6.1

wholesale banking	предоставление банковских услуг крупным клиентам (юридическим лицам)
retail banking	предоставление банковских услуг отдельным вкладчикам (физическим лицам)
to offer interest-bearing deposits	предлагать процентные вклады
to carry out a transaction	проводить операцию
trading in foreign currency	валютные операции
to hand smth back against a signature by a customer	возвращать ч-л по предъявлению подписи клиента
in case of emergency	в чрезвычайной ситуации
to do smth by a customer's express authority	делать ч-л с разрешения клиента
to prepare a tax return	подготовить декларацию о доходах
to check on the credit standing of smb	проверять кредитоспособность к-л
to handle cash collections and disbursements for smb	осуществлять операции по получению и выплате денежных средств
to invest temporary cash surpluses in short-term interest-bearing securities	инвестировать временно свободные денежные средства в краткосрочные процентные ценные бумаги
to market security brokerage services	предлагать брокерские услуги по реализации ценных бумаг
bond	облигация
to refer to smth	определять ч-л, называть ч-л

Text 6.2

to accrue	увеличиваться, накопляться, нарастать
to compound	начислять рассчитывать сложные проценты
to credit	добавлять, записывать на счет
maturity	срок оплаты
notice	извещение
principal	основная сумма
term	срок
transferable	переводной, с правом передачи другому
a current account (Br.) /a checking account (Am.)	текущий счет
a debit (credit) entry	запись в дебет (кредит)
to allow interest on an account	предусматривать выплат процентов по счету
statement of (the) account	выписка с банковского лицевого счета клиента
to remunerate smb	вознаграждать, выплачивать
to keep a good credit balance	иметь кредитовое сальдо на счете
a deposit account (Br.)/ a saving	срочный депозитный счет

account (Am.)	
to earn interest	получать проценты
to pay deposit interest at 5%	выплачивать 5% по депозитам
a base rate	базовая ссудная ставка
to make withdrawals at seven days' notice	снимать деньги со счета с уведомлением за 7 дней
to compound interest	складывать проценты
a single ownership account	личный счет
to give smb power of attorney	уполномочивать одно лицо действовать от имени другого
to require a reference	предусматривать рекомендацию
to give specimen signature	дать образец подписи

Text 6.3

active account	активный депозитный счет
accrue (v)	накапливаться
balance (v)	сальдировать, подводить итог, закрывать счета
cancel a cheque (v)	аннулировать чек
compound interest	сложные проценты
credit (v)	кредитовать
debit (v)	дебетовать
deposit	вклад, депозит, задаток
fund	запас, резерв, фонд
genuine	подлинный, неподдельный
insurance	страхование
insure against (v)	страховать(ся)
interest on bank credits	процент по банковскому кредиту
joint account	совместный счет
ledger	бухгалтерская книга
liquid	ликвидный
maturity	срок платежа
notice	извещение, уведомление
outstanding	1) выпущенный в обращение; 2) не предъявленный к платежу, задолженный
overdraft	овердрафт, превышение кредитного лимита
overdraw (v)	допускать овердрафт, превышать кредитный лимит
passbook	банковская расчетная книжка, депозитная книжка, сберегательная книжка
per annum	ежегодно
principal	1) номинал векселя; 2) капитал; 3) основной должник
posting	проводка
rate of interest	процентная ставка
reconcile (v)	выверять счет
commission	комиссионный счет
service charge (US)	комиссионный счет
term	срок выполнения обязательств
time certificate	срочный сертификат
transferable	переводной

Text 6.4

amortize	1)погашать долг в рассрочку; 2) обеспечивать постепенную выплату займа
repaid by annual installments	выплаченный в рассрочку
appraise	оценивать, определять стоимость
assets	имущество, достояние, средства; активы; фонды; капитал
fixed assets	основные средства, основные фонды
current assets	текущие активы
balance sheet	балансовый отчет
chattel	движимое имущество
chattel mortgage (US)	ипотечный кредит (ам.)
clear	1) осуществлять клиринг векселей, чеков; 2) выплачивать по чеку клиента
collateral security	имущественное обеспечение, обеспечение ценными бумагами
collateral	обеспечение; залог; дополнительное обеспечение
debt	долг, задолженность, обязательство
deed	документ, скрепленный подписью и печатью
discount	1) дисконт, учет векселей; 2) процент скидки, ставка учета
encumbrance	закладная, долг, обязательство
equity	1)маржа; 2) доля акционера в капитале; 3) обыкновенная акция
estate	имущество, состояние
estimate	1) оценивать; 2) подсчитывать; 3) составлять смету
holding	1) владение акциями; 2) пакет акций
holdings	вклады, авуары
indebtedness	задолженность
installment	1) очередной взнос; 2) частичный платеж
legal charge	законная плата
liabilities	денежные обязательства
liquidate	ликвидировать, погашать
mortgage	ипотека; залог; закладная
net value, net worth (US)	чистая стоимость компании; собственный капитал
obligation	долговое обязательство; облигация
pledge	закладывать
property / real estate (US)	1) собственность; 2) имущество недвижимость
retire	погашать долговое обязательство
securities title	ценные бумаги, фонды право собственности
trust	1) траст, доверительный фонд; 2) кредит / давать в кредит
trust deed (US)	акт учреждения доверительной собственности

Text 6.5

to lend out at interest	предоставлять ссуду под проценты
to ensure a prudent lending policy	обеспечить надежную кредитную политику
a loan policy	кредитная политика
to shape a bank's overall loan portfolio	сформировать кредитный портфель банка
maturity	срок погашения
to control a bank's risk exposure	контролировать размер потенциального риска банка
real estate loan	ссуда под недвижимость ипотечный кредит
financial institution loan	ссуда финансовому учреждению
commercial and industrial loan	ссуда торгово-промышленному предприятию
miscellaneous loans	прочие ссуды
lease financial receivables	финансовые лизинги
to cover operating expenses	обеспечивать операционные расходы
to borrow an amount towards the cost of smth	брать кредит в размере стоимости ч-л
to repay by installments	выплачивать кредит в рассрочку

Text 6.6

to request a loan	обратиться с просьбой о предоставлении кредита
to service a loan	выплачивать кредит
to submit documents	предоставлять документы
capacity to sign a loan	юридическое право на подписание контракта о предоставлении ссуды
collateral	обеспечение кредита
to pledge smth behind the loan	предоставлять ч-л под обеспечение кредита
to make a claim against assets	требовать погашение ссуды за счет активов должника
in the event of loan default	в случае невозможности вернуть ссуду

Text 6.7

to meet the challenge	удовлетворять требования
to borrow and lend short-term wholesale funds	осуществлять оптовые краткосрочные операции по привлечению заемных средств и кредитованию
to be tied to some international base rate	зависеть от международной базовой ставки
hedging techniques	приемы хеджирования (минимизации рынка)
cash management services	услуги по управлению наличностью
banking services in assistance with foreign mergers and acquisitions	услуги банка по оказанию содействия в вопросах слияния и приобретения иностранных компаний
to participate in syndicated loans	участвовать в предоставлении синдицированного кредита
interbank market	межбанковский рынок

to operate in forward market	осуществлять операции на срочных валютных рынках
foreign exchange (FOREX) market	валютный рынок
eurocurrency banking	банковские операции на рынке еровалют
representative office	представительство
to offer full-service facilities	предоставлять полный спектр услуг
International Banking Facilities (IBFs)	подразделение заграничных банков на территории США
shell branch	заграничное отделение («почтовый ящик»)
to trade in swaps	обменивать одну валюту на другую

Text 6.8

accept a bill (v)	акцептовать вексель
bank draft	банковская тратта
bank money order	банковский денежный перевод
bank note, note, bill (US)	банкнота
bearer	предъявитель, держатель
bill of exchange	переводной вексель
cash (v)	получать наличные, обналичивать
cashier's check (US)	кассирский чек
certified check	удостоверенный чек
certify (v)	заверять, удостоверять
traveller's cheque	дорожный чек
creditor	кредитор
credit standing	кредитоспособность
denomination	достоинство, ценность, деноминация
discount a bill (v)	дисконтировать вексель
endorse/indorse (v)	индоссировать, делать передаточную надпись
forms of exchange	формы обмена
honour a bill (v)	акцептовать вексель
identification	идентификация ценных бумаг
in lieu of	вместо
issue (v)	выпускать в обращение
mature (v)	наступать (о сроке платежа)
negotiable	отчуждаемый, передаваемый
payee	ремитент, получатель платежа по кредитным обязательствам
payer	плательщик по кредитным обязательствам
sight draf	вексель на предъявителя

UNIT 7

Text 7.1

payment in advance	авансовый платеж
open account	открытый счет
Bill of Exchange	переводной вексель, тратта
Documentary Letter of Credit	товарный аккредитив, документарный аккредитив
cash with order	1) платежное поручение;2) предъявительская тратта
cash on delivery	оплата наличными в момент поставки, наложенный платеж
remit	переводить, перечислять деньги
integrity	целостность
consignment	1) консигнация;2) партия груза

Text 7.2

payment on presentation	платеж по предъявлению
payment on demand	платеж по требованию
bearer	предъявитель, держатель
a bill drawn on	вексель, выставленный на ...
settlement	заключение сделки
sight draft	1) вексель на предъявителя; 2) тратта на предъявителя
term draft	срочная тратта
tenor of the bill	срок векселя
due date	срок погашения кредитного обязательства; срок платежа
acceptance	1) принятие, акцент, согласие на оплату; 2) акцептование векселя
face of the bill	номинал векселя
forward a bill	отправлять, посылать вексель
collecting bank	банк-инкассатор
clean bill	недокументированный вексель
cash against documents	платеж наличными против документов
promissory note	простой вексель; долговое обязательство
direct collection	1) прямая инкассация; 2) прямой денежный сбор
reshipment	перегрузка, перевалка
recoup delay	задержка окупаемости
default	невыполнение обязательств; неуплата
notary	нотариус
notice of dishonour	1) уведомление о неакцептовании векселя; 2) уведомление о неуплате векселя

Text 7.3

expiry date	1) истечение срока действия контракта; 2) истечение срока опциона
the terms of the credit	условия кредита
revocable/irrevocable	отзывный / безотзывный
cancel	аннулировать
amend	вносить изменения, поправки
advise a letter of credit	авизовать аккредитив
advising bank	банк, производящий выплаты по аккредитиву
confirming bank	подтверждающий банк
issuing bank	эмиссионный банк
compatible with	совместимый, сочетаемый
reimburse	погашать (кредит, задолженность и т.д.)
debit	дебетовать, относить на дебет счета

Text 7.8

remittance	1) ремитирование, перевод денег; 2) денежный перевод
cashflow	движение наличности; разница между наличными поступлениями и платежами
cheque (br.); check (am.)	1) чек; 2) переводной вексель
draw a cheque on	выписывать чек
clear a cheque	осуществлять клиринг чеков
banker's draft	банковская тратта
clearance	производство расчетов через расчетную палату; клиринг векселей и чеков
mail transfer	почтовый перевод
telegraphic transfer	телеграфный перевод

UNIT 8

Text 8.1

bear in mind	помнить, принимать во внимание
logical sequence	логическая последовательность
acknowledgement and restatement	подтверждение (получения); повторное заявление
enclosure	вложение, приложение
single spacing	один(арный) интервал (между строками текста)
double space	двойной интервал; двойной пробел
sheet	лист (бумаги, стекла, металла); листок
preceding	предшествующий

Text 8.2

open account	открытый счет (форма расчетно-кредитных отношений между продавцом и постоянным покупателем, при которой товары отправляются без подтверждения оплаты, а покупатель в оговоренные сроки погашает свою задолженность)
penetrate	проникать
retail buyer	розничный торговец
spring up	возникать, появляться
credit standing	кредитное положение, кредитная репутация (репутация, которую человек получает в зависимости от своевременности уплаты долгов, кредитной истории и т. п.; кредитный рейтинг обычно является количественным показателем той же репутации)
credit status	кредитный статус (статус лица, определяемый его текущим финансовым положением и кредитной историей)

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