

Banking

Financial institutions

- central banks
- retail banks (commercial, High Street banks)
- investment banks (BrE - merchant banks)
- insurance companies
- building societies (AmE - savings and loan associations)
- private banks high net worth individuals
- clearing banks
- non-bank financial intermediaries

Commercial and retail banking

- provide services for individual customers and SME
- taking deposits
- granting loans
- money transfers
- bank's assets
 - bank's capital
 - loans it has made
- bank's liabilities
 - customers' deposits
- bank's profits – spread between interest rates charged on loans and those paid to depositors + fees and commissions
- bank reserves;
reserve requirement; reserve-asset ratio - the minimum percentage of its deposits a bank has to keep in its reserves
cash in vault
ready money
- creating credit (= money available for someone to borrow)

- risk assessment for personal customers and corporate customers (customers' creditworthiness/credit rating/credit standing)
- loan terms and conditions
- balance between liquidity and different maturities, yield and risk

Banking products and services

- loans – fixed sums lent for a fixed period
- overdrafts – allow customers to overdraw an account – limits, interest
- mortgages – buying property or real estate – collateral
- advice about investments and private pension plans
- e-banking and m-banking

Personal banking

- current account; checking account – interest rate and no restrictions on making withdrawals
- savings account; deposit account – interest rate and restrictions on withdrawals
- monthly statements listing debits and credits
- debit card vs credit card
- bank transfers: standing orders and direct debits

Investment banking

- provide services for large companies
- financial advice – strategic planning or financial restructuring
- valuation of different markets – research department
- raising capital by issuing stocks or shares and bonds
- underwriting securities
- stockbroking and dealing department – executes clients' orders and offers advice to investors
- organising mergers, acquisitions and divestitures (selling subsidiaries) – M&A department
- bank's profits – fees and commissions

Central banking

- providing financial services to governments
- responsible for monetary policy
- supervising and regulating the banking system and the financial sector
- issuing currency
- establishing reserve-asset ratio for commercial banks
- lender of last resort – bails out (rescues) banks in difficulty
- influencing the exchange rate
- managing a country's gold reserves

Different interest rates

- Interest rate – the cost of borrowing money: the percentage of the amount of a loan (a principle) paid by the borrower to the lender for the use of the lender's money
- Discount rate – the central bank sets to lend short-term funds to commercial banks
- Base rate (BrE) or prime rate (AmE) – the rate commercial banks charge their most reliable customers
- Margin or spread – difference between the interest rates banks charge borrowers and the rates they pay to depositors
- Mortgages, long-term loans – fixed or floating/variable interest rate
- Overdrafts and bank loans – interest rates higher than those on mortgages
- Leasing or hire purchase (HP) – higher interest rates than those on bank loans and overdrafts