

# 14 Banking

## Aims

- Consider banking products and services and different types of banks
- Discuss the subprime crisis and microfinance

## Lead-in

- Which of the following banking products or services do you find the most useful or necessary?

a current account (BrE) or checking account (AmE)	buying or selling foreign currency for travelling (BrE) or traveling (AmE)
a savings or deposit account (BrE) or time or notice account (AmE)	a mortgage (a loan to buy property (BrE) or real estate (AmE))
cashpoints (BrE) or ATMs (Automated Teller Machines, AmE)	an overdraft (the possibility to borrow money by spending more than you have in your bank account)
a chequebook (BrE) or checkbook (AmE)	
a credit card	investment advice
a debit card	internet banking (payments, transfers)
a loan	telephone banking (payments, transfers)

- What other banking services do businesses use?

## Reading: Banks and financial institutions

Insert the names of the following types of financial institutions in the spaces in the text.

commercial banks    hedge funds    investment banks    Islamic banks  
non-bank financial intermediaries    private banks    stockbrokers

Retail banks or <sup>1</sup> \_\_\_\_\_ (often called High Street banks in Britain) receive deposits from, and make loans to, individuals and small companies. <sup>2</sup> \_\_\_\_\_ work with big companies, giving financial advice, raising capital by issuing stocks or shares and bonds, arranging mergers and takeover bids, and so on. They also generally offer stockbroking and portfolio management services to rich corporate and individual clients. Wealthy individuals can also use <sup>3</sup> \_\_\_\_\_, which provide

them with banking and investment services, and <sup>4</sup> \_\_\_\_\_, which are private investment funds for wealthy investors (both individuals and institutions) that use a wider variety of (risky) investing strategies than traditional investment funds, in order to achieve higher returns.

In the USA, where many banks went bankrupt following the Wall Street Crash in 1929, a law was passed in 1934 (the Glass-Steagall Act) that

separated commercial banks and investment banks or stockbroking firms. For the rest of the 20th century, there were regulations in the US, Britain and Japan that prevented commercial banks from doing investment banking business. In other countries, including Germany and Switzerland, large banks did all kinds of financial business. But starting in the 1980s, many rules were ended by financial deregulation, and Glass-Steagall was repealed in 1999. Large banks became international conglomerates offering a complete range of financial services that were previously provided by banks, <sup>5</sup> \_\_\_\_\_

and insurance companies.

<sup>6</sup> \_\_\_\_\_, in Islamic countries and major financial centres, offer interest-free banking. They do not pay interest to depositors or charge interest to borrowers, but invest in companies and share the profits (or losses) with their depositors.

Some car manufacturers, food retailers and department stores now offer products like personal loans, credit cards and insurance. Technically these are not banks but <sup>7</sup> \_\_\_\_\_.

## Vocabulary

### 1 Find the words or expressions in the text which mean the following:

- 1 money placed in a bank
- 2 a sum of money borrowed from a bank
- 3 the money invested in a business
- 4 certificates representing part-ownership of a company
- 5 certificates of debt issued by governments or companies to raise money
- 6 when one company combines with another one
- 7 when one company offers to buy or acquire another one
- 8 buying and selling stocks or shares for clients
- 9 all the investments owned by an individual or organization
- 10 the profits made on investments
- 11 unable to pay debts or continue to do business
- 12 the ending or relaxing of legal restrictions
- 13 a group of companies, operating in different fields, which have joined together
- 14 the price paid for borrowing money, paid to the lenders

### 2 Match up the verbs in the left-hand box with the nouns in the right-hand box to make common verb–noun combinations found in the text above.

charge	pass
do	pay
give	provide
issue	raise
make	receive
offer	share

advice	loans
bonds	profits
business	interest
capital	services
deposits	stocks or
laws	shares

What other verb–noun combinations can you make with these words?



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## Countdown

- 1 Where are these banks based? Match the banks with the flags. One of the flags goes with two banks.



China



Russia



Spain



Japan



USA

### Citigroup

Based in \_\_\_\_\_

Market value: \$106.695bn

Income: \$3.617bn

### ICBC

Based in \_\_\_\_\_

Market value: \$277.235bn

Income: \$11.617bn

### Banco Santander

Based in \_\_\_\_\_

Market value: \$125.065bn

Income: \$14.319bn

### Sberbank

Based in \_\_\_\_\_

Market value: \$69.637bn

Income: \$3.525bn

### Goldman Sachs

Based in \_\_\_\_\_

Market value: \$82.106bn

Income: \$11.590bn

### Mitsubishi UFJ Financial Group

Based in \_\_\_\_\_

Market value: \$93.846bn

Income: \$8.835bn

- 2 Answer the questions.

- 1 Look at the profiles of each bank. How many do you know? What do you know about them?
- 2 Which of the banks was the biggest when the survey was done? Is size important for a bank? Why / Why not?

- 3 Which of these opinions do you think are true about banks after the credit crisis?

- a 'There are parts of the banking system that are a socially useless activity', Lord Turner, chairman of the Financial Services Authority (FSA), UK in 2009.
- b 'Banks have to offer big bonuses in order to keep their best performing staff.'
- c 'A global bank is much more secure than a regional local bank.'
- d 'The state has no place in the banking sector.'

## Listening

### Types of bank in the UK

Karl Horst is visiting London as part of a delegation from German regional banks to build relationships between European banks. Marion Dempster, a UK bank executive, is explaining the British system to him.

- 1 Listen to the conversation and find the customer group each bank serves. Tick (✓) the correct boxes in Marion's presentation slide.

### THE UK BANKING SYSTEM

Type of bank	Type of customer / client		
	Individual customers	Small / medium companies	International companies
1 Retail bank			
2 Commercial bank			
3 Investment bank			
4 Building society			
5 Supermarket bank			
6 Internet bank			

- 2 Listen again and answer these questions.

- 1 What is the difference between a mutual and a public listed company?
- 2 Why have the supermarkets entered financial services?
- 3 Why do Internet banks have an advantage over older retail banks?