

Financial Institution



Types of financial institution

These are a student's notes from a lecture about banking.

For most of the 20th century, most banks operated in one country only (in the US, in one state only). Different kinds of banks did specialized kinds of financial business:

- Retail banks or commercial banks worked with individuals and small companies:
 - received deposits
 - made loans. (See Unit 20)
- Investment banks worked with big companies:
 - gave financial advice
 - raised capital – increased the amount of money companies had by issuing stocks or shares and bonds
 - organized mergers and takeover bids.
- Insurance companies
 - provided life insurance and pensions.
- Building societies
 - specialized in mortgages. Many have now become normal commercial banks.

bonds: debts that pay interest and are repaid at a fixed future date (see Unit 33)

merger: when two or more companies join together (see Unit 39)

takeover bid: when one company offers to acquire or buy another one (see Unit 39)

stocks or shares: certificates representing one unit of ownership of a company (see Unit 29)

BrE: merchant bank; AmE: investment bank

BrE: retail bank, commercial bank, High Street bank; AmE: retail bank, commercial bank

BrE: building societies; AmE: savings and loans associations

Deregulation

The financial industry changed radically in 1980s and 90s when it was **deregulated**.

- Before **deregulation**: rules and regulations in the US, Britain and Japan prevented commercial banks doing investment banking business. Some other countries (Germany, Switzerland) already had universal banks doing all kinds of financial business.
- Today: many large international **conglomerates** offer a complete range of financial services. Individuals and companies can use a single financial institution for all their financial needs.

deregulated: there are now fewer restrictions and regulations than before

conglomerates: companies formed by mergers and takeovers (see Unit 40)

Specialized banks

Other types of banks still have specialized functions:

- central banks issue currency and carry out the government's financial policy
- private banks manage the assets of rich people or **high net worth** individuals
- clearing banks pass cheques and other payments through the banking system
- non-bank financial intermediaries such as car manufacturers, food retailers and department stores now offer products like personal loans, credit cards and insurance.

Find words in A and B opposite with the following meanings.

- 1 a company offering financial services
- 2 the money a company uses, raised by way of shares and bonds
- 3 when two formerly separate companies agree to join together
- 4 a company formed by the merger or takeover of several other companies
- 5 the ending of some rules and restrictions
- 6 when a company offers to buy the shares of another company to gain control of it

Before financial deregulation, which types of financial institutions did these types of business? Look at A opposite to help you.

- 1 arranging mergers
- 2 offering life insurance
- 3 issuing shares and bonds
- 4 providing mortgages
- 5 receiving deposits and making loans to individuals and small companies
- 6 giving financial advice to companies
- 7 organizing (or defending against) takeover bids
- 8 providing pensions

The extracts below are from websites. Which types of banks do the websites belong to?
Look at A and C opposite to help you.

1

The Federal Reserve was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

2

We provide a full range of products and services, including advising on corporate strategy and structure, and raising capital in equity and debt markets.

3

How can we help you? We can:

Build a long-term, one-to-one relationship with your banker.

Manage your family's diverse business and personal assets.

Build a portfolio tailored to your family's unique needs.

Play an active role in managing your assets.

4

Nearly twelve million cheques and credits pass through the system each working day. Cheque volumes reached a peak in 1990 but usage has fallen since then, mainly owing to increased use of plastic cards and direct debits by personal customers.

5

Why bank with us? Because we offer:

- a comprehensive range of accounts and services
- over 1,600 branches, many with Saturday opening
- free withdrawals from over 31,000 cash machines
- online and telephone banking for round-the-clock access to your accounts

A large, irregular pink brushstroke shape that serves as a background for the text. It has a soft, painterly texture with visible brush marks.

***Thank you for your
attention***