И.И. Громовая
С.Г. Шишкина

БАНКОВСКИЕ СИСТЕМЫ
И ОПЕРАЦИИ

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И.И. Громовая
Санкт-Петербургская академия
аэрокосмического приборостроения
С.Г. Шишкина
Ивановский государственный
химико-технологический университет

БАНКОВСКИЕ СИСТЕМЫ И ОПЕРАЦИИ

Учебное пособие на английском языке
для студентов и аспирантов,
обучающихся по специальности
“БАНКОВСКОЕ ДЕЛО”

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Каждый урок снабжен упражнениями и рассчитан на 4 - 6 часов аудиторных и самостоятельных занятий. Ряд упражнений построен по схеме заданий, предлагаемых на квалификационных экзаменах TOEFL (ключи - в конце пособия). Структура урока предполагает поэтапное овладение лексикой и, в конечном итоге, свободную ориентацию в подъызке специальности с выходом в профессионально-ориентированное общение.

При составлении пособия использовались аутентичные тексты из английских и американских профессиональных изданий.

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Рецензент:
доцент И.В. Юрова

Научный редактор:
профессор Н.К. Иванова

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What is money? Most people believe they know what money is and how it is used. But the question - What money is? - is not as simple as it seems. Money serves several functions beyond allowing us to buy goods and services.

1.a. FUNCTIONS OF MONEY. Money serves four basic functions: it is a medium of exchange, a unit of account, a store of value, and a standard of deferred payment. Not all moneys serve all of these functions equally well, but to be money, an item must perform enough of these functions to include people to use it.

1.a.1. Medium of Exchange. Money is a medium of exchange; it is used in exchange for goods and services. Sellers willingly accept money in payment for the products and services they produce. Without money, we would have to resort to barter, the direct exchange of goods and services for other goods and services.

For money to be an effective medium of exchange it must be portable, divisible, and measurable in both small and large units.

1.a.2. Units of Account. Money is a unit of account: we price goods and services in terms of money. This common unit of measurement allows us to compare relative values easily.
Using money as a unit of account is efficient. Money is a standard of value that reduces the cost of gathering information on what things are worth. The use of money as a unit of account lowers information cost. When money prices are placed on goods and services, their relative value is obvious.

1.a.3. Store of Value. Money functions as a store of value or purchasing power. If you are paid today, you do not have to hurry out to spend your money. It will still have value next week or next month. An important property of a money is its durability, its ability to retain its value over time.

Today inflation plays a major role in determining the effectiveness of a money as a store of value. The higher the rate of inflation, the faster the purchasing power of money falls. It makes no sense to hold on to a money that is quickly losing value.

1.a.4. Standard of Deferred Payment. Finally, money is a standard of deferred payment. Debt obligations are written in terms of money values.

We should make a distinction here between money and credit. Money is what we use to pay for goods and services. Credit is available savings that are lent to borrowers to spend.

Now try to summarise what money is and what its functions are.

TEXT 1.
FISCAL POLICY AND AGGREGATE EXPENDITURES

These words and word combinations may be helpful to you; try to memorise them:
aggregate - совокупный, суммарный, агрегированный
disposable income - располагаемый доход
recession - понижение, уменьшение, спад, ресессия
closing the recessionary gap - сокращение ресессионного разрыва
GNP - Gross-national-product
multiplier - мультипликатор; коэффициент; tax multiplier - налоговый мультипликатор (действие, оказываемое на экономику снижением налога)
revenues - государственные доходы, доходные статьи бюджета

Fiscal policy is the government’s policy towards spending and taxation. Here we are to bear in mind that aggregate expenditures include consumption, investment, net export, and government spending. What the government spends on goods and services affects the level of aggregate expenditures directly. Taxes affect aggregate expenditures indirectly by changing the disposable income of households, which alters consumption.

1.a. Closing the Recessionary Gap

To discuss this problem, we should first dwell upon some very important notions:

- equilibrium is a point from which there is no tendency to move. In macroeconomics, determining a nation’s equilibrium level of income and expenditures is the process of defining that level of income and expenditures at which plans and reality are the same.

- aggregate expenditures are planned expenditures at different levels of income, they represent the level at which households, firms, governments, and the foreign sector expect to spend.
- Actual expenditures always equal income and output because they reflect changes in inventories, that is inventories automatically raise or lower investment expenditures so that actual spending equals income, which equals output.

- Recessionary gap is the increase in expenditures required to reach potential GNP. When the economy operates at the natural rate of unemployment, the corresponding level of output (and income) is called potential GNP.

- GNP gap is the difference between potential GNP and real GNP, that is the difference between potential national income and the equilibrium level of national income.

To close the GNP gap, to reach potential GNP, aggregate expenditures must go up. The recessionary gap is the amount by which aggregate expenditures must rise in order for equilibrium national income to reach the level of potential national income.

A recessionary gap can be closed by increasing government spending. When a government increases spending, it stimulates the economy, raising aggregate expenditures and income. When a government decreases spending, it depresses the economy, reducing aggregate expenditures and income. By varying the level of government spending, policymakers can affect the level of income in the economy. Of course, government spending is only part of fiscal policy.

A recessionary gap can be eliminated by reducing taxes. Cutting taxes does not increase expenditures directly; it works indirectly, through its effect on disposable income and consumption.

A tax multiplier is a measure of the effect of a change in taxes on equilibrium income. It is always a negative number.
because a change in taxes moves income and expenditures in the opposite direction: higher taxes lower income and expenditures, lower taxes raise income and expenditures.

The tax multiplier tells us how much taxes must fall to increase equilibrium income to potential income, to close the recessionary gap.

Government spending must be financed by some combination of taxing, borrowing, or creating money.

1.b. Fiscal Policy

Fiscal policy has two components: discretionary fiscal policy (discretionary - предоставленный на усмотрение) and automatic stabilisers. Discretionary fiscal policy refers to changes in government spending and taxation aimed at achieving a policy goal. Automatic stabilisers are elements of fiscal policy that automatically change in value as national income changes. Automatic stabilisers offset changes in income: as income falls, automatic stabilisers increase spending; as income rises, automatic stabilisers decrease spending. Any program that responds to fluctuations in the business cycle in a way that moderates the effect of those fluctuations is an automatic stabiliser. Examples are progressive income taxes and transfer payments (передаточные, трансфертные платежи).

Taxes can be progressive (as income rises, so does the rate of taxation), regressive (the tax rate falls as income rises) or proportional (the tax rate is constant as income rises). Most countries use a progressive tax.

A transfer payment is a payment to one person that is funded by taxing others. Food stamps, welfare benefits, and
unemployment benefits are all government transfer payments: current taxpayers provide the funds to pay those who qualify for the program.

1.c. Fiscal Policy in Different Countries

Each country’s fiscal policy reflects its philosophy towards government spending and taxation. Historically in industrial countries, the growth of government spending has been matched by growth in revenues. But in the 1960s, government spending began to grow faster than revenues, creating increasingly large debtor nations.

Developing countries have not shown the uniform growth in government spending found in industrial countries. In fact in some developing countries (Burma, Chile, the Dominican Republic, Peru, and Yugoslavia), government spending was a smaller percentage of GNP in 1985 than it was in 1972. And we find a greater variation in the role of government in developing countries.

One important difference between the typical developed country and the typical developing country is that government plays a larger role in investment spending in the developing country. One reason for this difference is that state-owned enterprises account for a larger percentage of economic activity in developing countries than they do in developed countries. Also developing countries usually rely more on government than the private sector to build their infrastructure - schools, roads, hospitals - than do developed countries.

How a government spends its money is a function of its income. Here we find differences, not only between industrial and
developing countries, but also among developing countries. Although standards of living are lowest in the poorest countries, these countries do not have the resources to spend on social services (education, health, housing, social security, welfare). The industrial countries, on average, spend 52 percent of their budgets on social programs. Middle-income developing countries spend 36 percent of their budgets on social programs, and low-income countries spend only 20 percent on these programs.

The labour forces in industrial countries are much better educated than those in developing countries. On average it costs 49 percent of per capita GNP to educate a college student in an industrial country, 370 percent to provide a year of college education in the average developing country, and 800 percent in the poorest region of the world, Sub-Saharan Africa.

That industrial countries are better able to afford social programs is reflected in the great disparity in social security taxes between industrial and developing countries. In general, developing countries depend more heavily on indirect taxes on goods and services than do developed countries. Industrial countries depend more on direct taxes (on individuals and firms) and less on indirect ones (on goods and services). Personal income taxes are much more important in industrial countries than in developing ones.

**Exercise 1.** Fundamental questions:
difference between them? What type of tax does Value-Added Tax belong to? 5. Name automatic stabilisers.

**Exercise 2.** Which of the following statements is false?

a. Historically, government spending has played an increasingly larger role over time in industrial countries.
b. Government plays larger role in investment spending in developing countries.
c. Developed countries rely more on their governments to provide the infrastructure of the economy than do developed countries.
d. State-owned enterprises account for a larger percentage of economic activity in developing countries than in developed countries.
e. Industrial nations spend a larger percentage of their budgets on social programs than do developing countries.

**Exercise 3.** Which of the following statements is true?

a. Developing countries rely more heavily on direct taxes than do developed countries.
b. Developing countries rely more heavily on indirect taxes than do developed countries.
c. Developing countries rely more heavily on personal income taxes than do developed countries.
d. Developing countries rely more heavily on Social Security taxes than do developed countries.
e. Developed countries rely more heavily on import and export taxes than do developing countries.
Exercise 4. Insert the right word or word combination.

Translate into Russian.

1. Fiscal policy is changing .......... and .......... .
2. The tax multiplier is always a .......... (positive, negative) number.
3. If government spending increases by the same amount as taxes, the effect is ........ (expansionary, contradictionary).
4. When prices go up, the multiplier effect of an increase in spending is .... (enhanced, reduced). The spending and tax multipliers ...... (understate, overstate) the effect of a change in aggregate expenditures.
5. List the three ways government spending may be financed.
   ..........................................................................................................
   ..........................................................................................................
   ..........................................................................................................
6. A government borrows funds by ..... (buying bonds from, selling bonds to) the public.
7. Fiscal policy in the USA is a product of the budget process, which involves the ........ and ............ branches of government.
8. The federal budget is determined as much by .......... as by economics.
9. List the two kinds of fiscal policy.
   ..........................................................................................................
   ..........................................................................................................
10. .......... refers to changes in government spending and taxation aimed at achieving a policy goal.
11. .......... are elements of fiscal policy that automatically change in value as national income changes.
12. As income falls, automatic stabilisers ....... spending.
13. With ........... taxes, as income rises, so does the rate of taxation.
15. With ............ taxes, the tax rate falls as income rises.
15. With ............. taxes, the tax rate is constant as income rises.
16. ............ taxes are an example of an automatic stabilisers.
17. Government plays a bigger role in investment spending in ............... (developing, industrial) countries. Give two reasons why this should be.
........................................................................................................................................
........................................................................................................................................
18. Low-income countries ............ (do, do not) spend a greater percentage of their budgets on social programs as compared with industrialised countries.
19. The relative cost of an education is ............ (higher, lower) in developing countries than it is in industrial countries.
20. ............. taxes are taxes on individuals and firms.
21. ............ taxes are taxes on goods and services.
22. ............ taxes are hard to collect in developing countries because so much of household production is for personal consumption.
23. In general, developing countries rely more heavily on .......... (direct, indirect) taxes than do developed countries.
24. VAT stands for ........... , an indirect tax imposed on each sale at each stage of production.

**Exercise 5.** Now try to give the main ideas of this text.
Most of us never think about how money enters the economy. All we worry about is having money when we need it. The quantity of money is a measure of what individuals and businesses have available for spending. So money affects prices, interest rates, foreign exchange rates, and the level of income in the economy.

The demand for money is a function of several determinants. The interest rate and level of income are critical factors in determining how an economy performs, which is why every government has some means of effecting monetary policy.

2.a. The first step in understanding monetary policy is understanding the demand for money.
People use money for transactions, to buy goods and services. The transactions demand for money is a demand to hold money in order to spend it on goods and services.

People also hold money to take care of emergencies. The precautionary demand for money exists because emergencies happen.

Finally, there is a speculative demand for money, a demand created by uncertainty about the value of other assets. This demand exists because money is the most liquid store of value.

The amount of money people hold depends on the interest rate and nominal income.

2.a.1. The interest rate. There is an inverse relationship between the interest rate and the quantity of money demanded. The interest rate is the opportunity cost of holding money. The higher the interest rate, the greater the interest forgone by holding money, so the less money held. Here the opportunity cost of holding money is the difference between the interest rate on a bond or some other nonmonetary asset and the interest rate on money.

Nominal income. The demand for money also depends on nominal income. As income increases, more transactions are carried out and more money is required for those transactions. The greater the nominal income is, the greater the demand for money is. A change in nominal income changes the demand for money at any given interest rate.

2.a.2. The Money Supply Function. The money supply function is independent of the current interest rate and income. It means
that a government can choose any money supply it wants independent of the interest rate (and national income). If to show this function by means of a diagram, one can see that it will be a vertical line. The government can increase or decrease the money supply, shifting this line to the right or left, but the line remains vertical.

2.a.3. Equilibrium in the Money Market. The money supply is set by the government. As the supply of money changes, the equilibrium interest rate changes: if the interest rate falls, there would be an excess demand for money. People would want more money than the government is supplying. But because the supply of money does not change, the demand for more money just forces the interest rate to rise. How? Suppose people try to increase their money holdings by converting bonds into money. As bonds and other nonmonetary assets are sold for money, the interest rate goes up. As the interest rate goes up, the excess demand for money disappears.

2.b. Money and Equilibrium Income. How does monetary policy affect the equilibrium level of national income? Investment is a negative function of the rate of interest. The interest rate is the cost of borrowed funds. As the interest rate rises, the return on investment falls and with it the level of investment. As the interest rate falls, the return on investment rises and with it the level of investment. When investment spending increases, aggregate expenditures are higher at every price level. As the money supply increases, the equilibrium interest rate falls. As the interest rate falls, the equilibrium level of investment rises. Increased
investment increases aggregate demand and equilibrium income. A decrease in the money supply works in reverse: as the interest rate rises, investment falls; as investment falls, aggregate demand and equilibrium income go down.

But the fact is that an excess supply of money involves more than simply selling or buying bonds. An excess supply of money probably would be reflected in increases consumption as well. So the effect of monetary policy on aggregate demand is a product of a change in both investment and consumption.

TEXT 3.
IMPLEMENTING MONETARY POLICY

These words and word combinations may be helpful to you; try to memorise them:

- **intermediate target** - промежуточная цель
- **equation of exchange** - уравнение обмена (в денежной теории)
- **velocity of money** - скорость обращения денег
- **quantity theory of money** - количественная теория денег
- **open market operations** - (кредитные) операции на открытом рынке
- **discount rate** - учетная ставка, учетный процент, ставка дисkontа

3.a. **Policy Goals.** The ultimate goal of monetary policy is much like that of fiscal policy: economic growth with stable prices. Economic growth means greater output and consumption; stable prices means a low, steady rate of inflation, to reduce the uncertainty consumers face.

The government does not control GNP or the price level directly. Instead it controls the money supply, which in turn affects GNP and the level of prices. The money supply or the
growth of the money supply is an intermediate target: it helps to achieve the ultimate policy objective.

Using the growth of the money supply as an intermediate target assumes there is a fairly stable relationship between changes in money and changes in income and prices. The bases for this assumption are the equation of exchange and the quantity theory of money. The equation of exchange relates the quantity of money to nominal GNP:

\[ MV = PY \]

where

- \( M \) = the quantity of money,
- \( V \) = the velocity of money,
- \( P \) = the price level and
- \( Y \) = real income or GNP

The velocity of money is the average number of times each money unit is spent on final goods and services in a year. The quantity theory of money relates changes in the money supply to changes in prices and output. The assumption that there is a reasonably stable relationship among \( M, P, \) and \( Y \) is what motivates the government to use money growth as an intermediate target to achieve its ultimate goal - higher \( Y \) with slow increase in \( P \). The government also monitors other key variables that are used to indicate the future course of the economy: commodity prices, interest rates, and foreign exchange rates.

3.b. Tools of Monetary Policy. The Government controls the money supply by changing bank reserves. There are three tools to change reserves: the reserve requirement, the discount rate, and open market operations.
Reserve requirements. These requirements are different for different types and sizes of deposits. There are transaction deposits used to pay third parties, nonpersonal time deposits held by business firms and Eurocurrency deposits. Legal reserves are the cash a bank holds in its vault plus its deposit in the central bank. When legal reserves equal required reserves, the bank has no excess reserves and can make no new loans. When legal reserves exceed required reserves, the bank has excess reserves available for lending.

Discount Rate. If a bank needs more reserves in order to make new loans, it typically borrows from other bank’s deposit account at the central bank. The discount rate is the rate of interest the central bank charges banks. It is also called the bank rate. To control the level of bank reserves and the money supply the central bank can change the discount rate. When the discount rate is raised, the cost of borrowing reserves also raises. Lower levels of reserves limit bank lending and the expansion of the money supply. When the discount rate is lowered, the cost of borrowing reserves also lowers, increasing the amount of borrowing. As bank reserves increase, so do loans and the money supply.

The discount rate is relatively stable. While other interest rates can fluctuate daily, the discount rate usually remains fixed for months at a time.

Open Market Operations. The major tool of monetary policy is the open market operations, the buying and selling of government bonds. These operations are usually performed by the central bank. The central bank buys bonds to increase the money
supply. To decrease the money supply, it sells bonds. The decision to buy or sell bonds is based on a short-run operating target, like the level of reserves held by commercial banks. The short-run operating target is set to achieve an intermediate target, a certain level of money supply. The intermediate target is set to achieve the ultimate goal, a certain level of GNP.

**Exercise 1.** Fundamental questions:
1. What are the determinants of the demand for money? 2. How does monetary policy affect the equilibrium level of national income? 3. What are the goals and tools of monetary policy?

**Exercise 2.** Complete the sentences:
1. A student who cashes a check at the student union in order to go shopping is an example of the
   a. transactions demand for money.
   b. speculative demand for money.
   c. precautionary demand for money.
   d. income effect.
2. An increase in the interest rate will cause
   a. an increase in the demand for money.
   b. an increase in the quantity demanded of money.
   c. a decrease in the demand for money.
   d. a decrease in the quantity demanded of money.
   e. an increase in the supply of money.
3. A decrease in nominal income will cause
   a. an increase in the demand for money.
   b. an increase in the quantity demanded of money.
   c. a decrease in the demand for money.
d. a decrease in the quantity demanded of money.
e. a decrease in the supply of money.

4. The supply of money is
   a. a positive function of interest rates.
   b. a negative function of interest rates.
   c. a positive function of income.
   d. a negative function of income.
   e. independent of income and interest rates.

5. The ultimate goal of monetary policy is
   a. economic growth with stable prices.
   b. stable exchange rates.
   c. stable interest rates.
   d. steady growth in bank reserves.

6. According to the equation of exchange,
   a. if the money supply increases and velocity is constant, real GNP must rise.
   b. if the money supply increases and velocity is constant, nominal GNP must rise.
   c. an increase in the money supply causes an increase in the price level.
   d. an increase in the money supply causes an increase in real GNP and higher prices.
   e. if the money supply increases, nominal GNP must rise.

7. To increase the money supply, the central bank would
   a. increase the reserve requirements and the discount rate, and sell bonds.
   b. increase the reserve requirements and the discount rate, and buy bonds.
c. decrease the reserve requirements and the discount rate, and sell bonds.
d. decrease the reserve requirements and the discount rate, and buy bonds.
e. increase the reserve requirements, decrease the discount rate, and buy bonds.

8. If the central bank wants to decrease the money supply, it can
a. buy bonds.
b. sell bonds.
c. lower the reserve requirements.
d. lower the funds rate.
e. lower the discount rate.

**Exercise 3.** Insert the right word or word combination; consult the text if necessary:

1. The ................ demand for money is a demand to hold money in order to spend it on goods and services.
2. The ................ demand for money is a demand to hold money to take care of emergencies.
3. The ................ demand for money is created by uncertainty about the value of other assets.
4. The demand for money depends on ........ and ........ .
5. There is a(n) ............... relationship between the interest rate and the quantity of money demanded.
6. The greater the nominal income, the ........... (greater, smaller) the demand for money.
7. The supply of money ........... (does not, does) depend on interest rates and nominal income.
8. As bond prices increase, the current interest rate ........... .
9. A decrease in the money supply causes interest rate ..... (rise, fall), which causes consumption and investment to .......... (rise, fall). The changes in consumption and investment cause aggregate demand to .......... (increase, decrease), which causes equilibrium income to ...... (rise, fall).

10. Norm and Debbie keep 1.5 months income in an account for emergencies. This is an example of the ....... demand for money.

11. A young couple cashes in a bond to buy a crib and changing table to prepare for the birth of their first child. This is an example of the ..... demand for money.

12. You read in The Wall Street Journal that the bond markets rallied yesterday (bond process increased). Interest rates must have .......... (increased, decreased).

13. The goal of monetary policy is .......... with .......... .

14. An ........ is an objective used to achieve some ultimate policy goal.

15. The ........ of money is the average number of times each unit is spent on final goods and services in a year.

16. MV = PY is the ........ .

17. The ................ states that if the money supply increases and the velocity of money is constant, nominal GNP must rise.

18. List the three tools the central bank uses to change reserves.

....................................................................................................................... ......................................................................................................................

19. Large banks must hold a ............ (greater, smaller) percentage of deposits in reserve than do small banks.

20. ................... time deposits are time deposits held by business firms.
21. Legal reserves consist of ............ and ............ in the central bank.
22. The central bank can reduce the money-creating potential of the banking system by ............... (raising, lowering) the reserve requirements.
23. The .......... rate is the rate of interest the central bank charges banks. In other countries, this rate is called the .......... rate.
24. Banks borrow from other banks in the .......... market.
25. If the central bank wants to increase the money supply, it ........ (raises, lowers) the discount rate.
26. ................. are the buying and selling of government bonds.
27. To increase the money supply, the central bank .......... (buys, sells) bonds.
28. ................. indicate how the money supply should react to a change in the short-time target.

Exercise 4. Now try to retell these texts.

PART 2. BANKING

WHAT IS A BANK?

Ask people what a bank is. They may answer: “A safe place to keep money.” That is true. A bank is a safe place to keep money. And it is also much more than that.

Because people save money in banks, banks have money to lend. Loans to people help them buy things. Loans to business
help them buy, build and expand and keep people working. These
loans help the country’s economy - the making, distribution and
use of our wealth. We think of banks as great money machines -
receiving, guarding and lending money.

You open a Savings account, and a bank employee gives
you a small passbook with your name, and account number
recorded on it. All deposits and withdrawals will be noted in it.
You may open a statement account, where transactions are
recorded on a bank statement mailed to you monthly. Whenever
you put money in your account, you make out a deposit slip. You
give your money and deposit slip to a teller, who notes the
amount. When you need to take out money, you make out a
withdrawal slip and give it to the teller. Your money is safe
because it is insured by the government.

The bank pays you interest, which is added to your balance.

You can open a Savings account in most banks. Most
people have checking accounts. Lots of time and work is saved
when you simply write a check. Some banks may pay interest on
checking accounts if minimum balances are maintained. Some are
charging customers who have smaller balances for the privilege of
writing checks.

Besides having Savings and checking services, banks
make loans. The bank can not lend all its money. It must always
hold a percentage of its money back. That is the bank’s reserve. A
reserve is necessary in order to keep enough money on hand to
cover loans that might not be paid back. The primary reserve is
made up of the amount of currency and checks deposits. The
secondary reserve is made up of the amount of money people owe
to the bank.
**GLOSSARY**

**Loan** - something let, usually money, on condition that it is returned, with or without interest (ссуда, заем).

**country’s economy** - part of a system that deals with man’s material needs; a system of producing and distributing the material needs of society (государственная экономика).

**passbook** - a bank document with your name and account number containing a written or typed record of all debits and credits. It is held by the customer who, from time to time, hands it to the bank. Syn. bank book. Abbr. P.B. (банковская расчетная книжка).

**deposit slip** - a form stating your account number and the amount you are putting into the bank (депозитный бланк).

**teller** - a person who counts and gives out or takes in money in a bank (банковский кассир).

**withdrawal slip** - the form stating the act or process of removing funds from a bank account (бланк снятия со счета).

**interest** - a fixed percentage of money on your account (банковский процент).

**balance** - the total amount of money on your account (общая сумма денег на счете).

**primary reserve** - a reserve made up of the amount of currency and checks deposited (первичный резерв).

**secondary reserve** - a reserve made up of the amount of money people owe to the bank (вторичный резерв).

**Exercise** 1. Answer choosing the best answer to each question:

1. What is the text about?
a. banking as a system
b. Savings money
c. Savings accounts
d. functions of a bank

2. What is a passbook?
   a. deposit slip
   b. withdrawal slip
   c. bankbook
   d. Savings account

3. Who is a teller?
   a. a person who is telling you something
   b. a person who is counting your money
   c. a person whom you are telling something
   d. a person giving formal information by TV, radio

4. What is a deposit slip?
   a. a list where the number of your passbook is stated
   b. a list where your transactions are recorded
   c. a list to mail the amount of money to your account
   d. a list with your number and with the account of money you put on your account

5. When does one use a withdrawal slip?
   a. taking money out
   b. taking money on
   c. transferring money
   d. mailing money

6. Why cannot any bank lend all its money?
   a. to give unplanned loans
   b. to help the country’s economy
   c. to pay interests
d. to cover withdrawals and loans

7. Why do banks have money to lend?
   a. they have primary and secondary reserves
   b. they have money kept there by customers
   c. they have state’s guarantee
   d. they have Savings and checking services

**Exercise** 2. Form your own questions to the underlined words:

1. Loans to people help them buy things. (3)
2. Loans to business help them expand and keep people working. (5)
3. Loans help the country’s economy because they distribute and make our wealth. (4)

**Exercise** 3. Identify the one word which must be changed to make the sentence correct:

1. Bank is a great money machine who receives, guards and lends money.  
   A  B  C  D

2. Economy is a system to producing the material needs of society.  
   A  B  C  D

3. Interest is a percentage fixed by your bank and add to your amount of money at a certain period of your keeping money.  
   A  B  C  D

4. The primary reserve is the sum of currencies and checks.  
   A  B  C  D

5. The secondary reserve is the amount of money customers owes to their bank.  
   A  B  C  D
**Exercise** 4. Choose the word or phrase that best corresponds to the meaning of the original sentence.

1. Banks lend money to people.
   a. loan
   b. give
   c. pay
   d. borrow

2. People save money in banks.
   a. economise
   b. keep safe
   c. reserve for future use
   d. prevent from being lost

3. You open a Savings account.
   a. declare open
   b. expand
   c. start
   d. make open

4. All transactions of your money are recorded in your bank passbook.
   a. are written
   b. are set down
   c. are transcribed
   d. are formed

5. When you want to take your money out you fill in the withdrawal slip.
   a. remove
   b. make necessary payment
   c. pay the first instalment
   d. acquire insurance
6. If a certain amount of money is **maintained** some banks may pay interest.
   
   a. is preserved
   b. is unaltered
   c. is valid
   d. remains

**Exercise 5.** Find the English equivalent for:

<table>
<thead>
<tr>
<th>Russian Expression</th>
<th>English Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>первичный резерв</td>
<td>primary reserve</td>
</tr>
<tr>
<td>банковский процент</td>
<td>interest</td>
</tr>
<tr>
<td>государственная экономика</td>
<td>banking percentage</td>
</tr>
<tr>
<td>надежное место</td>
<td>dependable</td>
</tr>
<tr>
<td>благосостояние</td>
<td>wealth</td>
</tr>
<tr>
<td>ссужать деньги</td>
<td>to lend</td>
</tr>
<tr>
<td>банковский кассир</td>
<td>bank teller</td>
</tr>
<tr>
<td>распределение</td>
<td>distribution</td>
</tr>
<tr>
<td>бланк снятия со счета</td>
<td>withdrawal slip</td>
</tr>
<tr>
<td>общая величина денег на счете</td>
<td>balance</td>
</tr>
</tbody>
</table>

**Exercise 6.** Find the Russian equivalent for

<table>
<thead>
<tr>
<th>English Expression</th>
<th>Russian Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>passbook</td>
<td>паспорт</td>
</tr>
<tr>
<td>checking account</td>
<td>расчетный счет</td>
</tr>
<tr>
<td>loan</td>
<td>кредит</td>
</tr>
<tr>
<td>teller</td>
<td>кассир</td>
</tr>
<tr>
<td>currency</td>
<td>валюта</td>
</tr>
<tr>
<td>primary reserve</td>
<td>первичный резерв</td>
</tr>
<tr>
<td>interest</td>
<td>интерес</td>
</tr>
<tr>
<td>withdrawals</td>
<td>отчисления</td>
</tr>
<tr>
<td>a bank employee</td>
<td>работник банка</td>
</tr>
<tr>
<td>to cover loans</td>
<td>покрыть кредит</td>
</tr>
<tr>
<td>to expand</td>
<td>расширить</td>
</tr>
<tr>
<td>deposit slip</td>
<td>депонит</td>
</tr>
</tbody>
</table>

**Exercise 7.** Answer the questions:

What is the difference between:

- Savings accounts and checking accounts?
- passbooks and chequebooks?
- deposit slips and withdrawal slips?
- primary reserve and secondary reserve?
Exercise 8. Speak on
a) bank functions;
b) bank services

Exercise 9. Read the dialogues and say what you have learned from them about. Dramatise them.

DIALOGUE 1.
Opening a Savings Account

Clerk: Good morning. What can I do for you?
Customer: Good morning. I would like to open a Savings account. Could you explain your policy to me?
Clerk: A small initial deposit is all it takes to open a Savings account at our bank, but if you open your account with five hundred dollars or more and keep that much at all times, there is no service charge. If you fall below the 500 dollar limit, you will be charged.
Customer: 500 dollars a month. I’m not sure I understand what you’ve said about the five-hundred-dollar-limit. Could you explain that to me again?
Clerk: Of course. Our bank requires you to maintain a minimum balance of 500 dollars or more. Should your minimum balance fall below that amount, your account would be charged for five dollars a month.
Customer: I see. That’s clear enough. One more question.
Clerk: Go ahead.
Customer: How does the bank know what amount to use to figure out my balance?

Clerk: O’kay. That’s not difficult to understand. Our computer adds all the daily figures and then divides by the number of days in your statement period. That’s called your average daily balance.

Customer: Thank you for your assistance.

NOTES

1. initial deposit - первоначальный вклад
2. to explain policy - объяснять условия
3. service charge - банковские услуги
4. to fall below the 500 dollar limit - иметь на счете меньше 500 долларов
5. to charge - удерживать
6. to figure out somebody’s balance - из какой суммы исходить при определении баланса
7. statement period - период банковского счета

DIALOGUE 2.

Opening a Checking Account

Clerk: Good afternoon. May I help you?

Customer: Good afternoon. I’m here to open a checking account. My name is Paul Smith. And my wife’s name is Mrs. Laura Smith.

Clerk: Do you want a joint account with your spouse?

Customer: Yes, I do. Tell me about your checking account policy. Is there a minimum balance required?
Clerk: If you open a checking account you are supposed to maintain an average daily balance of 1,000 dollars. As long as you keep this average balance, you won’t be charged for banking services. Should you fall below the one-thousand-dollar-limit, you would have to pay a service charge of 6 dollars a month, and each of you transactions would be charged separately.

Customer: What is meant by transaction charge?

Clerk: You’ll have to pay 25 cents for each check made out by you or your spouse, and also 25 cents for each cash withdrawal. But you can easily avoid paying these charges by maintaining one thousand dollars or more on your checking account.

Customer: I’d like to know how much interest you pay.

Clerk: Interest is paid if your average daily balance is over 2,500 dollars. Unless you fall below 2,500 dollars, you’ll be paid 6.5 per cent interest. We credit the interest you’ve earned automatically to your account.

Customer: I would like to open a checking account with a deposit of 1,500 dollars. Is that o’kay?

Clerk: It is perfectly all right. You can order your check books after having filled out an application and your deposit ticket.

Customer (fills out application and deposit ticket): Is anything wrong?

Clerk: Everything is correct. Now you can order your check books.

Customer: I have a question. What are the preconditions for getting a credit card?

Clerk: You must have an income of 15,000 dollars or more.

Customer: What proof of income will you accept?
**Clerk:** Either your last pay stub or a copy of your tax return. As soon as we have the necessary information, credit cards will be available to you and your wife.  
**Customer:** I appreciate your assistance.

**NOTES**

1. **joint account** - совместный счет
2. **to be supposed to maintain** - предполагается сохранить
3. **transaction** - банковская операция
4. **to make out** - выписывать
5. **to avoid paying charges** - избегать расходов на оплату банковских услуг
6. **to credit the interest** - переводить проценты
7. **application** - (зд.) бланк заявления
8. **deposit ticket** - талон на депозит

**BANKING SYSTEM**

The arrangement under which a country’s banking services are organised form the Banking System. It varies in different countries.

In Britain it consists of the Bank of England which acts as a Central Bank, joint-stock banks and the Savings banks. Banking concerns in Britain include merchant banks, discount houses and National Giro.

As it was mentioned above, the Bank of England is the Central Bank of the United Kingdom. It was founded in 1694. First it was the only joint-stock bank. The Bank Charter Act of 1844 meant that it would eventually become the British Central
Bank. The Bank was nationalised in 1946. It was the sole bank of issue. The Bank of England controls the volume of credit, national debts, maintains bullion vault. It acts as banker to the Government and to the joint-stock and other banks. It works closely with the Treasury and acts as Government agent in implementing Government policy.

Joint-stock banks are also called commercial banks or deposit banks. They form the largest class in the whole banking system. They are profit-making concerns. Joint-stock banks have many branch offices which serve the ordinary banking needs of the public. They are either members or are associated with the clearing-house system. Joint-stock banks accept customer’s money on current deposit and Savings accounts. They pay and collect customer’s cheques, deal in foreign money, move money from one place to another, deal with documentary credits and advance credits for all of which they charge interest. They offer a wide range of services.

Savings bank is a special kind of banking organisation. It was founded to encourage Savings by population and to form the pool of small Savings. There is a National Savings Bank in Britain. It is run by the Government through post offices to serve small savers.

Merchant banks formally acted as financier to foreign governments. Now they are commercial organisations. They specialise in the financing of the international trade by accepting bills of exchange. Merchant banks accept some deposits from the public, deal in foreign exchange and bullion, raise capital for companies, act as financial advisers. They may themselves own and deal in securities.
Discount houses are commercial banking firms or companies. They discount bills of exchange which have been accepted by the accepting houses. They also discount bank bills and Treasury bills. They deal with short-term securities of the central and local governments and public corporations and in certificate of deposit.

National Giro (or Giro system) is a system operated by the Post Office. If you open an account at any of the post offices in Britain you can transfer sums from your account to any other account. For it you are to complete a transfer form. You may send money to any person by means of a Giro cheque. It can be cashed or paid into a bank account. As all records are kept at a computerised Giro Centre all cheques are posted to it for credit. Cash can be taken from any post office.

Such is the banking system in Great Britain.

GLOSSARY

**Discount houses** - commercial credit companies (учетный дом [вид коммерческого банка в лондонском Сити]; выполняет краткосрочные операции на денежном рынке)

**to discount** - to lend money (давать ссуду); - to sell at a reduced price (продавать по сниженным ценам); - to deduct a discount or allowance of interests (делать скидку или снижать процент)

**a discount** - a sum paid immediately or in advance (ссуда)

**issue (v)** - to put forth, to send out for use (выдвинуть); - to publish, to print for sale or distributions (публиковать); (n) - emission; printing

**volume of credit** - a total amount or quantity of any sum of money advanced by a bank and held in a bank account (размер кредита)
bullion vault - a place for gold and silver of official quality in the form of bars, not coins (хранилище слитков)

Treasury - the government department which is responsible for the finances of the country, for the economic policy, for the management of its monetary system. Its nominal chief is the Prime Minister. But in reality its head is the Chancellor of the Exchequer (Казначейство, Министерство финансов; канцлер казначейства, министр финансов)

profit - the difference between business income and expenses in a particular transaction or over a period of time (доход)

clearing-house - an association formed by the commercial banks to carry out the process of sorting cheques at the end of the day. It also is responsible for setting differences at the Bank of England (клиринг-банк, клиринговый банк, один из 6-ти лондонских банков, осуществляющих свои расчеты путем зачета встречных платежей)

current account - an account on which the customer of a commercial bank receives no interest (текущий счет)

deposit account - an account used as a reserve into which money not immediately needed can be put to earn interest (депозит)

Savings account - a bank account into which personal Savings are paid (сберегательный счет)

cheque - a bill of exchange drawn by a banker, payable on demand. In practice it is a written direction to a bank to pay a stated sum of money on demand to a named person, or organisation, or bearer (чек); bill of exchange - a written order telling one person to pay a certain sum of money to a named person. Now they are used mainly in foreign trade (вексель)
**interest** - an extra amount earned or expected to be earned (банковский процент)

**securities** - investments; stocks, shares and bonds which are bought as investments (ценные бумаги)

**transfer** - the passing of a part of ownership from one person to another, or from one organisation to another (передача в собственность, уступка (напр. имущества); - the movement of money from one person to another or from one place or country to another (перевод, трансфер[т])

**cash** - (n) money in the form of coins or banknotes (наличные деньги); - (v) to give cash in exchange for a cheque, money order (обналичивать)

**Exercise** 1. Answer the questions choosing the best variant:

1. What is this text about?
   a. banking as a system
   b. difference between state banks and commercial banks
   c. banking system in Great Britain
   d. the arrangements of the banking system in a number of states

2. What is the Britain Central Bank?
   a. National Giro
   b. Bank of England
   c. Merchant Bank
   d. National Savings Bank

3. What acts as a banker to the Government?
   a. Joint-stock banks
   b. Discount houses
c. Treasury
d. the British Central Bank

4. What system is run by the Government through Post Office?
   a. National Savings Bank
   b. Giro System
   c. Clearing-house system
   d. banking system

5. What banks are profit-making concerns?
   a. Savings Banks
   b. Merchant Banks
   c. Joint-stock banks
   d. Discount Houses

6. What banks deal with short-term securities?
   a. Savings Banks
   b. Merchant Banks
   c. Commercial Banks
   d. Discount Houses

7. What kind of banks forms the pool of small Savings?
   a. Savings Banks
   b. Merchant Banks
   c. Commercial Banks
   d. Discount Houses

8. What banks specialise in accepting bills of exchange?
   a. Savings Banks
   b. Merchant Banks
   c. Commercial Banks
   d. Discount Houses

9. What banks form the largest class in the Banking System of Great Britain?
a. Savings Bank  
b. Merchant Banks  
c. Commercial Banks  
d. Discount Houses

**Exercise** 2. Form your own questions to underlined words:

1. Banking **System** varies in **different** countries. (4)  
2. Banking concerns in **Britain** include merchant banks, discount houses and National Giro. (2)  
3. The **Central Bank of England was founded in** 1694. (4)  
4. The **Bank of England is the bank of issue.** (1)  
5. **Joint-stock banks serve** the ordinary needs of the public. (3)  
6. **Savings banks were founded to encourage** Savings by population. (3)  
7. **Merchant banks finance the international trade.** (3)  
8. Discount houses **discount** bank bills, Treasury bills and bills of exchange. (1)  
9. If **you are a** member of **Giro system you can transfer any sum of money** from your account to any other account. (3)  
10. All records in National Giro **are kept at a computer in Giro Centre.** (3)  

**Exercise** 3. Identify the one word or phrase that must be changed to make the sentence correct:

1. The arrangements of **organising a country’s banking services** are formed the Banking System.  
2. The Bank **Charter Act of 1844 meant that the Central Bank**
D will be the British Central Bank.


4. Commercial banks are profitable-making concerns.

5. Joint-stock banks accept customer’s money on current deposits.

6. Savings bank is organised to encouragement small savers.

7. Merchant banks accept some deposits of the public.

8. They may themselves own in securities.

9. Discount houses discount bills of exchange which have accepted by the accepting houses.

10. For transferring sums you are completed a transfer form.

**Exercise 4.** Find the sentences with the same meaning in the text.

1. The Bank of England guards the nation’s gold and silver reserves.

2. At a time in the past merchant banks fulfilled the function of providing with money foreign government.

3. It is possible for them to be owners of securities.

4. The discount houses take out of the circulation coins and notes which have been accepted by the accepting houses.

5. You can get your money from or put your money into your bank account.
Exercise 5. Choose the word or phrase that best corresponds to the meaning of the original sentence:

1. First it was the only joint-stock bank.
   a. one
   b. the first
   c. firstly
   d. initially

2. It was the sole bank of issue.
   a. the only
   b. soul
   c. sale
   d. the one

3. The Bank of England controls the volume of credit.
   a. contributes
   b. regulates
   c. tests
   d. operates

4. Deposit banks are associated with the clearing-house system.
   a. connected
   b. co-operated
   c. allied
   d. identified

5. Savings Bank is run by the Government through post office.
   a. by way of
   b. by means of
   c. completely
   d. due to

Exercise 6. Find the English equivalents for:

хранилище слитков;
Закон о банке;
торговый банк;
Министерство финансов;
жиро система (через счета в почтовых отделениях);
расчетная палата;
наличные деньги;
tекущий счет, переводной вексель;
осуществлять, проводить государственную политику;
коммерческий банк;
акционерный (депозитный) банк;
выпускать в обращение;
объем кредита.

**Exercise 7. Find the Russian equivalents for:**

Banking System
Deposit Banks
Giro System
Discount houses
short-term securities
Treasury
to implement Government Policy
bullion vault
current account
a transfer form
clearing house
to issue
Savings bank
volume of credit
profit
foreign exchange
Exercise 8. Speak on:

a. the functions of the Central Bank of Great Britain;
b. the functions of the Joint-stock banks;
c. the functions of the Savings bank;
e. Giro System in Great Britain.

For your information

What are the world’s major currencies?

The currencies of the world’s major economies have names and backgrounds that are as diverse (разнообразны) as countries themselves.

The **DOLLAR**, used in many countries including the US, Canada, and Australia, gets its name from a silver coin minted (to mint - чеканить монету) during the Middle Ages (Средние Века) in a small valley, or “Thal”, in Bohemia called Joachimsthal. Just as a sausage from Frankfurt came to be called a frankfurter, the coins from Joachimsthal were called “Joachimsthaler” or simply “Thaler”, and came to be called “dollar” in English.

The **POUND**, used in GB, Egypt, and Lebanon among others, refers to the weight used in determining the value of coins, based on precious metals such as gold or sterling. The penny has the same origin as the word “pawn” (залог, заклад), found in such terms as “pawn shop” (ломбард) and originally meant “to pledge”. A penny, like any currency, is a pledge of value.

In Italy and Turkey, the currency is called **LIRA**. The word is based on the Latin “libro”, meaning “pound”, and once again refers to the weight of the original coins.

In Denmark, Norway, and Sweden, the word for **CROWN** (“krone” - in Denmark and Norway, “krona” - in Sweden) is used
to describe the currency that was originally minted by the King and Queen, with royal crown (венец, корона) stamped on the earlier coins. Today, the crown has been replaced by other symbols, but the name remains.

The FRANK, used in France, Switzerland, Belgium and other countries and territories, is based on the early coins used in France that bore the Latin inscription “franconium rex”, meaning “king of the Franks”. The coin, as well as the country, took its name from one of the original tribes (племена) that settled in the area, the Franks.

The German MARK and Finish MARKKA derive their names from the small marks that were cut into coins to indicate their precious metal content (содержание). The German mark, “deutsche mark” in German, is often called by its shortened name, D-mark.

A. Answer the questions:
1. What are the main world’s currencies?
2. What is the origin of the word “dollar”?
3. When and where were the first dollars minted?
4. What was the first name of the dollar?
5. Where is the pound used?
6. The word “pound” refers to the name which determines the value of coins, doesn’t it?
7. What other currency refers to the weight?
8. What was stamped on the earlier coins in Denmark, Norway and Sweden?
9. Does the name “crown” remain today?
10. Did the currency in France take the name from the original tribes? What was that name?
11. What is the background of the name “mark”?

C. Prove that the names and backgrounds of the world’s major currencies are as diverse as the countries themselves.

BANKING SYSTEM IN THE UNITED STATES OF AMERICA

The central banking organisation in the USA is the Federal Reserve System. That is a group of 12 local Federal Reserve Banks which together form the central banking authority of the nation under the centralised control of the powerful Federal Reserve Board in Washington, D.C. The Federal Reserve System controls the commercial banks and trust companies. In addition there are investment banks, Savings banks, the Export-Import Bank, finance companies and credit unions.

The functions of the commercial banks in the USA are just the same as in the United Kingdom. They propose a great variety of services. They accept money on deposits and Savings accounts, they pay and collect cheques, etc.

The trust company is a corporation that performs the services of a trustee for the property of person who has died or for property in trust for living persons. The trust company advises its customers on investments, etc.

Investment bank is a financial organisation. Alone or with the other banks it forms a syndicate. That syndicate buys from a
corporation an entire new issue of bounds or stock and sells in smaller units to the public. Investment bankers thus take over the risk and responsibility for the financial success of the new issue. Very often bankers of investment banks act as advisers on the raising of capital and on financial matters generally. In Britain the merchant banks perform the same services.

Savings banks in the USA have two forms: mutual Savings banks and the stock Savings banks. Mutual Savings bank is a co-operative Savings bank, owned by the its depositors and run as a co-operative society. Many mutual banks offer personal loans, administer trust funds and provide a safe-deposit service. Stock Savings bank is one of privately owned banks. It specialises in receiving and investing deposits from small savers. These banks provide a cheque-paying service and make loans.

Export-Import Bank (Eximbank) is a government organisation. It encourages exports. It helps to finance payments and insures US exporters against risk of non-payment. It also guarantees loans made by commercial banks.

Credit Union is an association of persons with a common interest who agree to save money regularly to build up a fund from which the members may borrow at a much lower rate of interest than that charged by banks.

The role of a central bank for the United States is given to the Federal Reserve Bank. It regulates the banking system. It acts as a lender of last resort. It answers to no one, except for yearly reports to Congress. It can act independently. The seven members of the Federal Reserve Board are appointed by the President.
GLOSSARY

trust (company) - an association of companies organised for defeating competition, obliging the shareholders in each to transfer their stock to a central committee and to surrender voting rights while retaining rights to profit share (трест, концерн)

trustee - a person legally invested with property rights in the interests of another (доверенное лицо); - a person appointed to protect the interests and property of a person unable to do so for himself (попечитель, опекун)

syndicate - an association or joint-venture in which several business concerns share their special knowledge and influence, and co-operate in some particular way, such as placing a new issue of shares (синдикат, консорциум)

bond - a piece of paper that permits a company or a government to borrow money for a certain length of time. Bonds can be bought and sold among investors. Whoever holds the bond holds the right to receive the principal payment, when bonds are paid back. Most bonds provide an interest payment, which is a percentage paid periodically (облигация)

stock - ownership in a corporation. It is represented by units of ownership called shares (капитал, фонд)

depositor - a person who deposits money with the bank (вкладчик)

to insure against risk - to make sure by paying money that one will be paid on agreed sum if one suffers loss caused by accident, fire, or theft or by one’s death

fund - a stock of money set aside for a special purpose (запас, резерв, фонд, капитал)
rate of interest - the relation between the payment received by a lender of money and the amount of money lent, expressed as a percentage per period of time (процентная ставка)

Exercise 1. Answer the questions using the ideas given:

1. What is the text about?
   a. banking as a system
   b. banking as a system in the USA
   c. Federal Reserve system
   d. difference between state banks and commercial banks

2. What is the American central bank?
   a. Savings banks
   b. Export-Import Bank
   c. Federal Reserve Bank (FED)
   d. Investment bank

3. What bank is the banking system regulated by?
   a. Savings banks
   b. Export-Import banks
   c. FED
   d. Investment bank

4. Which bank is responsible for the success of new bonds issues?
   a. Savings banks
   b. Export-Import Bank
   c. FED
   d. Investment bank

5. Which bank guarantees the payment to the USA exporters?
   a. Savings bank
   b. Export-Import bank
   c. FED
   d. Investment bank
6. Which bank sells securities?
   a. Savings bank
   b. Export-Import banks
   c. FED
   d. Investment bank

7. Which bank performs the same functions as Merchant banks in Great Britain?
   a. Savings bank
   b. Export-Import banks
   c. FED
   d. Investment bank

8. Which bank acts as a lender of the last resort?
   a. Savings bank
   b. Export-Import Bank
   c. FED
   d. Investment bank

**Exercise** 2. Form your own questions to the underlined words:
1. Mutual Savings banks are owned by their depositors. (3)
2. Stock Savings banks are owned privately. (3)
3. Savings banks receive deposits from small savers. (5)
4. The trust company advises on investments. (4)
5. The members of the credit union may borrow money from the common fund. (7)
6. Bonds provide an interest payment. (4)

**Exercise** 3. Identify the one word or phrase that must be changed to make the sentence correct:
1. Investment is done for income or profit.

2. In syndicate some joint-ventures are co-operate for a new issue of shares.

3. Bonds provide an interest payment within a certain period of time.

4. Stock is represented on shares.

5. Depositor is a person making deposits with a bank.

6. Any person in banker business is a banker.

7. The capital of a company that has converted its shares in units is stock.

Exercise 4. Find the sentences with the same meaning in the materials given above:

1. The Federal Reserve System is in charge of banks and companies.
2. They offer a wide choice of services.
3. Banks are managed as an association.
4. Bank is established by the Government.

Exercise 5. Choose the one word or phrase that best corresponds to the meaning of the original sentence:

1. Federal Reserve Banks are under the centralised control of the Federal Reserve Board.
   a. beneath
   b. subordinated
   c. subject
2. The functions of commercial banks in the USA are just the same as in the UK.
   a. exactly alike
   b. corresponding
   c. mentioned
   d. nevertheless

3. Bankers of Investment banks act as advisers on financial matters generally.
   a. because
   b. in accordance
   c. though
   d. in function

4. The Merchant banks in the UK perform the same services as Investment banks in the USA.
   a. do
   b. fulfil
   c. carry out
   d. accomplish

5. Federal Reserve Bank regulates the banking system.
   a. controls by rule
   b. adjusts
   c. arranges
   d. corrects

6. Federal Reserve Bank answers to no one except for yearly reports to Congress.
   a. only
   b. apart from
   c. excluding
   d. but
Exercise 6. Find the English Equivalents for:

концерн
стимулировать
неплатежи
капиталовложение
сберегательные счета
вкладчик
выпуск облигаций
управлять
назначаться
действовать независимо
процентная ставка
dоверенное лицо, опекун
финансовые вопросы
фонд, капитал

Exercise 7. Find the Russian equivalents for:

the last resort
trustee
to encourage exports
mutual savings banks
the trust company
trust fund
low rate of interest
to take over the risc
to guarantee loans
stock savings banks
Exercise 8. Speak on:
   a) the functions of the Federal Reserve Bank
   b) the functions on the Investment Bank
   c) the functions and types of savings banks
   d) the functions of the Export-Import Bank
   f) bonds

For your information

Read the text and be ready to answer the following questions:
1. Mrs. Bob Atkins wants her son Charles to have a Social Security number. What name will be written on the line marked “Applicant”?
2. When Jane Smith grew up she married Randy Brown. What is Jane’s maiden name?
3. Joe Navarro was born in Pecos, Texas. Is he an alien or a citizen of the USA?
4. Frank Navarro was born in Berlin, Germany. He has just stepped off a plane in New York City. Is he an alien or a citizen of the USA?
5. When Tracy Wilson went to her local Social Security Administration office to apply for a number and card, she took along her birth certificate and several other certified documents. Why?

If you have a Social Security number, it means that your name is registered with the Federal Government of the State, entitling you to receive certain benefits if you should ever need them. A Social Security number is required for most kinds of
employment, but you also need one to have certain kinds of bank accounts. In some states, a person needs a Social Security number in order to get a driver’s license, because the same number will be used for both.

The form you will fill out to obtain you Social Security number and card may seem difficult unless you understand the following items:

applicant - the person who is applying for a Social Security number and card

citizen - a person born in this country, or a person born in another country who has taken the steps necessary to become a citizen of this country

alien - a person from another country who has not become a citizen of this country

maiden name - a woman’s last name at her birth; her name before marrying

original or certified documents - legal papers that can be used as evidence of your age, identity, and citizenship status, such as your birth certificate and school, medical or church records that have been signed by officials.

**Exercise** 1. List three reasons why a person should apply for a Social Security number and card.

**Exercise** 2. Explain what this statement means:

**WARNING:** Deliberately furnishing (or causing to be furnished) false information on this application is a crime punishable by fine or imprisonment, or both.
Exercise 3. Play out the dialogues. Exchange parts.

**DIALOGUE 1.**

*Inquiring about an auto loan*

**A:** Hello. I would like to ask you for some information about your loan policy.

**Bank clerk:** Are you our bank’s customer?

**A:** Yes, I am. How much could I borrow?

**Clerk:** You can borrow up to 25,000 dollars.

**A:** I need only 10,000 dollars. Is there a down payment?

**Clerk:** No down payment is required.

**A:** What is the interest rate?

**Clerk:** If you keep over 20,000 dollars in our bank, the interest rate is 10.9 per cent.

**A:** I don’t keep that much on my account.

**Clerk:** If you go under 20,000 dollars, the interest rate for an auto loan is 11.4 per cent.

**A:** What about the term of an auto loan?

**Clerk:** The bank lends the money for five years. I guess you are going to buy a new car?

**A:** Yes, I am. But why are you asking that question?

**Clerk:** If a customer applies for a loan for buying a used car, he has to pay a higher interest rate - 13 per cent. Such a loan has to be paid up in 48 months.

**A:** I see. Could you please tell me what’s the total I would have to pay up?

**Clerk:** Just a moment. If you borrow 10,000 dollars, your total payment amounts to 13,753 dollars. Life insurance is included.
A: Is life insurance mandatory?
Clerk: Yes, it is.
A: One more question. Can I pre-pay my loan at any time?
Clerk: Absolutely.
A: Thank you very much for this information.

NOTES
1. auto loan policy - условия ссуды на приобретение автомобиля
2. down payment - задаток
3. if you go under . . . - если у вас меньше....
4. the term of an auto loan - срок уплаты ссуды
5. mandatory - обязательный

DIALOGUE 2.
Inquiring about a co-op loan

A: Hello. I’m your customer. My name is Andrew Johnson. I’ve come to ask you for some information of your co-op policy.
Clerk: How much would you like to borrow?
A: 120,000 dollars.
Clerk: Presently our bank offers adjustable interest rates for co-ops. Fixed rates are offered only to home buyers.
A: What’s the difference between an adjustable rate and a fixed rate?
Clerk: An adjustable rate mortgage is a loan where the interest may be adjusted according to prevailing market rates. If you apply for a co-op loan, your rate will be adjusted at the end of the year.
Until the end of the year you are locked into a specific rate. At the end of each year the rate can be reassessed. Do you follow me?

A: Yes, I do. What about fixed rates?
Clerk: A fixed rate mortgage is a loan where the interest rate remains the same for the entire term of the mortgage, for instance, for 15 or 30 years.

A: What is the adjustable rate for 120,000 dollar co-op loan?
Clerk: 7.625 % plus 2.25 points.
A: Could you explain to me what a point is?
Clerk: A point is 1 per cent of the amount you are borrowing.
A: How much would 2.25 points be in my particular case?
Clerk: 2.25 points would equal 2,700 dollars. Once you are approved, you are locked into that rate.
A: Who approves my application?
Clerk: The bank’s real estate department.
A: What information does the bank require for approving a co-op loan?
Clerk: Your employer will have to verify your income. Besides you’ll have to submit a credit report. The bank will find out if there are any outstanding debts.
A: What proof of income is required if I’m self-employed?
Clerk: A copy of your recent income tax return.
A: Thank you very much for your detailed information.
Clerk: You are welcome.

NOTES
1. co-op loan - ссуда на приобретение кооперативной квартиры
2. adjustable interest rates - переменная процентная ставка; fixed rates - постоянная ставка
3. **an adjustable rate mortgage** - заем с переменной процентной ставкой (на недвижимое имущество)
4. **prevailing market rates** - преобладающие на рынке ставки
5. **will be adjusted** (зд.) будет уточняться
6. **you are locked into a specific rate** - за вами будет закреплена текущая ставка
7. **the rate can be reassessed** - производится перерасчет
8. **a fixed rate mortgage** - заем под постоянный процент (на недвижимое имущество)
9. **once you are approved, you are locked into that rate** - как только ваше заявление будет одобрено, за вами будет закреплена такая процентная ставка
10. **to approve one’s application** - выполнить решение насчет заявления
11. **the bank’s real estate department** - отдел банка по недвижимому имуществу
12. **to verify the income** - удостоверять доход
13. **to submit a credit report** - представить отчет о состоянии выплат по кредитным карточкам
14. **outstanding debts** - просроченные долги
15. **proof of income** - документ о размере дохода
16. **to be self-employed** - работать самостоятельно

**BANKING IN THE RUSSIAN FEDERATION TODAY**

In 1991 Gosbank, the leading banking structure, was formally liquidated. The Central Bank of Russia assumed all the
functions of Gosbank in the Russian Federation. The assets and liabilities were divided between the former republics.

Now all main functions of the State Bank belong to the Central Bank of Russia. Almost all deposits are kept with Sberbank. It has a lot of branches (about 50,000) all over Russia. Sberbank has virtual monopoly on household deposits. The main controlling owner of Sberbank is the Central Bank.

There are lots of commercial banks in the Russian Federation. They specialise in lending to different branches of industry. For example, Promstroibank lends money to construction enterprises. It has many affiliated bodies. The peculiarity of such banks is that much of its capital base and investment fund was provided by the State. Promstroibank relies on borrowing from the Central Bank of Russia which is given at cheap interest.

Rosselkhozbank primarily financed agricultural enterprises at subsidised interest rates. Rosselkhozbank borrows from the Central Bank of Russia. Part of the interest rate subsidy is assumed by the Government. The bank is trying to reduce its dependence for funds in the Central Bank by competing with Sberbank for deposits.

There are joint-venture banks with foreign partnerships. They focus on the international financial transactions and various types of financial services.

Vnesheconombank is responsible for official reserves, financing foreign trade and for managing the country’s foreign debt.
**GLOSSARY**

**affiliated (bodies, companies)** - a venture (a company) which is partly or wholly owned by another company is called an affiliate of the owning or holding company and of all other companies in the group

**cheap interest** - low rates of interest

**subsidy** - money given by a government to certain producers, such as farmers, to help them to produce without loss to themselves, and yet at a low price, goods and services needed by the public

For your information

**OPERATIONS AND TRANSACTIONS CARRIED OUT BY THE CENTRAL BANK OF RUSSIA:**
- as a creditor of “final authority” it grants to the banks credits on agreement with the borrower;
- it calls deposits and invest bonds for funds mobilisation in the purpose of long-term crediting of state investment programs;
- opens accounts of correspondent banks and carries out payment and cash servicing of banks;
- carries out operations in international monetary and credit markets and in precious metals markets.

**THE COMMERCIAL BANKS CAN PERFORM THE FOLLOWING BANKING OPERATIONS AND TRANSACTIONS:**
- to attract deposits and grant credits to borrowers. The main type of active operations of Russian commercial banks is crediting legal entities;
- to make payments on behalf of the clients and correspondent banks and their cash servicing;
- to open and to keep accounts of the clients and corresponding banks including foreign ones;
- to finance capital investment on behalf of the owners or distributors of the money invested and also at the expense of bank’s own money;
- to issue, buy, sell and keep documents of payment and securities (cheques, letters of credit, bills of exchange, stock, bonds etc.) and perform other operations with them;
- to give sureties, guarantees and other liabilities for the third party;
- to carry out factoring and forfeiting;
- having a proper licence the banks can purchase foreign currency from individuals and legal entities and sell them the cash currency on accounts and bank deposits;
- to buy and sell precious metals and stones and articles made of them;
- to take and place in deposits precious metals and stones and perform other operations with the values in conformity with the international banking practice;
- to attract and place funds, control securities on behalf of the customers (trust operations);
- to perform brokerage, consulting, leasing.

Now try to summarise what you’ve learned about the operations and transactions carried by the Central Bank of Russia and the commercial banks
For Discussion

The problems Russians are facing now are of great interest to the whole world. Russia is enduring hard times. It has high inflation rates accompanied by fall in production. The real per capita income is falling. One of the main reasons of this process is the inefficiency of a large number of national factories and plants. That is why nowadays the main aim of the Russian Government is to reorganise the economy by creating the new efficient industries and liquidating the unprofitable ones. In such conditions when the Government is unable to invest much money in creating new factories, plants, the main role in reorganising of Russian economy belongs to banks.

The major theme worth investigating, in this respect, is the reliability of the Russian banking system. Such notion as “The reliability of the banking system” exists now only in theory. It is desirable to work that notion into practice. The reliability of the banking system is an optimal proportion between the liquidity and the profitability of this system. It depends on the economic and banking system of the State. The reliability of the banking system includes the reliability of each commercial bank working in this system.

Speaking about the reliability one can’t but mention the structure of the Russian banking system. It consists of two levels. The Central Bank of the Russian Federation forms the first level of this system. It is the State bank which main functions are: (a) to conduct the united monetary policy of the Government and (b) to control the commercial banks.
The commercial banks form the second level of the Russian banking system. They deal with all economic subjects of the State.

The reliability of the banking system includes the reliability of each commercial bank. The commercial bank has two main functions: to borrow money and to lend it.

Every commercial bank is created by shareholders in order to earn profit. The capacity of the bank to earn profit is called the profitability of the bank. There are several ways to receive income, allowed for the bank. Mains of them are: (a) lending money at a certain interest rate; (b) operations with securities; (c) operations with hard and soft foreign currencies; (d) rendering of services.

Each commercial bank operates mainly with another’s money. So it must be able to return borrowed money. This ability is known as the liquidity of the bank.

Hence, there is a great contradiction between the profitability and the liquidity of the commercial bank. The optimal correlation between the profitability and the liquidity of the bank is called the reliability.

Commercial banks have the best opportunities, given to them by Law, to borrow the so-called “free money” from the population, manufactures, foreign lenders and to invest them to the Russian economy. To borrow enough “free money”, the commercial bank must be reliable.

To achieve the reliability, the commercial bank must operate effectively with its assets and liabilities.

Each commercial bank may allocate only that money, which it has at its disposal. This money is called the liabilities of
the bank. The commercial bank has two main groups of liabilities: its own money (capital of the bank) and another’s money.

The main part of the capital of the commercial bank is a primary capital that is divided by shares. Besides, the bank also possessed a secondary capital, which consists of the reserves and the profit of the bank.

Money borrowed on the market form the second group of liabilities.

Usually, the commercial bank pays interest rates on the borrowed money. These rates depend on the sum of money and the interval of time for which it is borrowed. This dependence is directly proportional.

The profitability depends directly on the yields received from money allocation and inversely on expenses made. On the whole, the terms of allocation must be equal to the periods for which money is borrowed. The more these terms correspond with each other, the better the liquidity of the bank is. Consequently, the bank must plan the amount of money and the period for which money is borrowed.

Allocating the money the bank must also take into account different risks. Mains among them are: (a) changes in interest rates; (b) changes in exchange rates; (c) irretrievable losses; (d) risk of default; (e) credit risk.

The behaviour of the perfect bank depends on the “weather on the market”. No universal algorithms are created to achieve the reliability of commercial banks and hence the banking system. Banks must analyse the economic situation and follow the above described rules.
Answer the following questions:

1. What is the economic situation in Russia nowadays? what problems does the country face?
2. What is the structure of the Russian banking system?
3. What are the main functions of the State bank? of commercial banks?
4. Define the terms “profitability”, “liquidity” and “solvency”.
5. What contradiction exists between the profitability and the liquidity on the commercial bank?
6. What money is called the liabilities of the bank?
7. Name the main parts of the capital of the commercial bank.
8. What risks are to be taken into consideration when allocating money?

CENTRAL BANK

Just as a driver keeps an eye on the road and a hand on the wheel, every country’s Central Bank watches economic data carefully and adjusts the money supply in an effort to keep the economy headed in the right direction.

A Central Bank controls the economy by increasing or decreasing the country’s money supply. It prints enough currency to satisfy everyday needs of business and consumers. The most effective way to control the economy is to increase or decrease bank lending and bank deposits. When banks have money to lend to their customers, the economy grows; when banks are forced to cut back lending the economy slows. Bank’s supply of money for
lending is limited only by its deposits and reserve requirements, which are determined by the Central bank.

Another way of controlling the money supply is to raise or lower interest rates. When a central bank decides that the economy is growing too slowly, it can reduce the interest rate it charges on the loans. Alternatively, if the economy shows signs of growing quickly, a central bank can increase interest rates on its loans, thus, putting the brakes on economic growth.

Perhaps the most dramatic way of increasing or decreasing the money supply is through open market operations. That happens when a central bank buys or sells large amounts of securities in the open market.

If a central bank allows the economy to expand too rapidly by keeping too much money in circulation, it may cause inflation. If it slows down the economy by removing too much money from circulation, an economic recession could result, bringing unemployment and reduced production.

Central bank co-ordinates the country’s monetary policy to supervise the banking system acting independently of its government to provide a stabilising influence on the country’s economy.

**Exercise** 1. Answer the following questions:
1. What is the main idea of this text?
2. What causes inflation?
3. What does Central Bank supervise?
4. What are open market operations intended for?
Exercise 2. Give the Russian equivalents for the following:
open market operations; bank’s liability; money supply; interest rates; amount of money; deposits; a liability of a bank; economic data; to adjust; monetary policy; lending; reserve requirements; to expand; to cause; to slow down the economy; economic recession; to cut back lending.

Exercise 3. Give the English for the following words and phrases:
текущий счет, предоставлять ссуды, ссудный процент, денежная политика, печатать денежные знаки, контролировать экономику, координировать политику, резервные запасы, снизить / повысить/ ссудный процент, экономический рост.

Exercise 4. Speak on
a) the ways of controlling money supply
b) the efforts of a Central Bank to provide economy’s growth
d) what causes production reduction

For your information

THE WORLD BANK
AND THE INTERNATIONAL MONETARY FUND

The International Bank for Reconstruction and Development (IBRD), referred to as the World Bank, provides development aid to the world’s poorest and underdeveloped countries. The International Monetary Fund (IMF) concentrates
on providing advice and temporary funds for countries with economic difficulties.

The major role of the World Bank, the world’s largest development bank, is to provide a helping hand to countries in need. Its first activity, after being set up in Washington, D.C., in 1945, was to channel funds from the United States and other nations into rebuilding Europe after World War II. The World Bank now provides most of its loans to countries in the Third World, and receives a significant portion of its funding from wealthy nations, which in turn provide it with the credit to borrow cheaply in the world’s capital markets.

The World Bank often relies on the IMF to encourage debtor countries to make difficult economic reforms. The IMF is often asked to resuscitate ailing economies. The economic medicine prescribed by the IMF is painful. For example, it often calls for debtor governments to reduce subsidies to failing state industries and insists on strict anti-inflationary measures, such as increasing the prices on basic goods and services.

Besides supervising the international monetary system and providing financial support to member countries, the IMF assists its membership by running an educational institute in Washington, by making technical assistance available in member countries in certain specialised areas of its competence, and by issuing a wide variety of publications relating to international monetary matters.

In the early 1990s, in addition to its normal activities and its continued involvement in the debt crisis, the IMF is concentrating its efforts in two areas. First, it has mounted a massive campaign to assist the countries of Eastern Europe in the difficult transition from centrally planned to market economies. It
is providing not only money but, what is more important, expertise in establishing those financial and economic structures (central banks, tax systems, currency convertibility, tariff regimes) indispensable for the functioning of a tree-enterprise system. Second, it is continuing to assist its poorer members in creating an environment for economic growth.

BANKING IN FOREIGN TRADE

TEXT 6 (A). Exchange Rate

Interest rates affect domestic monetary condition: the higher interest rates are, the more they tend to attract foreign funds and thus to increase the exchange rate.

What is exchange rate? That is the value of currencies world-wide. A currency, like any other commodity, is worth only what people will pay for it.

The world’s foreign exchange markets keep track of the values of all major currencies. As some increase in value, others decline. Foreign exchange is a constantly changing twenty-four-hour-a-day market with trading going on in hundreds of financial centres around the world. Those markets are all linked electronically. Banks look at this global interbank market to set their daily rates. The spread between the “buy” and “sell” rates ensures that banks and exchange bureaux make profit every time one currency is changed into another.

How do foreign exchange markets decide how much a currency is worth? Just like other markets, the foreign exchange market is subject to the laws of supply and demand. Foreign
exchange prices are influenced by economic and political events. During periods of economic turmoil, the world often turns to a particular currency as a refuge which is expected to preserve its value in times of trouble.

GLOSSARY

commodity - raw materials or primary products, such as gold or tea. Commodities can be traded in spot transactions, or by buying and selling for future delivery

spread - (зд.) distance between cost price and sell price (разница между себестоимостью и продажной ценой)

economic turmoil - unstable state of economy

Exercise 1. Fill in the words given below
1. Interest rates affect .......... monetary market.
2. All ..... are worth what people will pay for it.
3. Dollars and Francs ....... their value in hard times.
4. During periods of turmoil the world turns to a ..... currency.
5. Exchanging currencies in banks is ........ .
6. While some currencies decline, others ..... in value.
7. All financial centres are ..... electronically.

Exercise 2. Combine the sentences:
1. Currency, currencies, every, is, terms, of, stated in, other.
2. Make, banks, a, when, small, exchanging, one, currency, profit, into, another.
3. Currency, of, world-wide, exchange, the value, is, rate.
4. The, follows, foreign, the, exchange, values, of, the, currencies, major, market, all.

**Exercise** 3. Find the Russian equivalents for:

- to attract funds: transaction
- commodity: to keep track
- economic turmoil: to increase
- spread: to decline
- supply and demand: to have value

**Exercise** 4. Find the English equivalents for:

- увеличивать: to attract funds
- стабильная валюта: commodity
- товар, предмет потребления: economic turmoil
- экономическая нестабильность: spread
- круглосуточно: supply and demand
- подчиняться законам спроса и предложения: to be linked
- ежедневно устанавливать курс (валюты): to change domestic condition
- (банковская) сделка: interest rate
- иметь цену: to go up
- прибыль: to increase

**Exercise** 5. Give antonyms to the following:

- interest rate
- to change domestic condition
- to be linked
- to attract funds
- to go up
- to increase
Exercise 6. Retell the text.

**TEXT 6(B). PART I.**

Paying for goods supplied in the home trade is a fairly simple matter. But problems are magnified many times in foreign trade. A great deal of time is spent on correspondence, despatch and delivery. Who is to bear this loss? Must the seller wait perhaps 6 months for his money? Is the buyer to pay several months before he even sees his goods? Further, in case of non-payment, a seller will be involved in expensive legal action and possibly total loss.

It is here that banks play a vital part. Their services to exporters and importers include:

a. Handling of shipping documents.
b. Collection of payment.
c. Observance of buyers’ conditions of purchase.
d. Discounting bills of exchange.
e. Loans to exporters.
f. Acting as agents for foreign banks and their customers.

By means of these services banks not only see to it that justice is done to both buyer, but that the timelag between order and delivery is overcome without loss to either party. These services have to be paid for, but are not expensive and are almost indispensable - the bank comes into every transaction at some stage.

Payment in advance might be helpful to a buyer in urgent need, or where the buyer is unknown to the seller, or in case of a single isolated transaction. The actual method of payment in such cases would probably be by banker’s draft or banker’s transfer.
Open account terms would be granted by a seller to a buyer of unquestioned standing or to a customer in whom he has complete confidence, e.g. regular buyers, agents or distributors. Payment might then be made quarterly by bill of exchange or banker’s transfer.

**GLOSSARY**

draft - this really means a document used to draw money from one source, but sometimes it is used to refer to the money itself. A bill of exchange (вексель) is often referred to in a letter as “the draft” (тратта, переводной вексель)

**Banker’s draft** - a draft or cheque drawn by one bank on another (тратта, выставленная банком на другой банк)

**Banker’s transfer** - transfer of money from the bank account of a debtor to the bank account of his creditor by order of the debtor (банковский перевод)

timelag - delay (промежуток времени)

Answer the questions:
1. Why do banks play an important part in foreign trade?
2. What are the services of banks in foreign trade?
3. What is observed by means of these services?
4. Why are the banks’ services indispensable?
5. When is payment in advance helpful?
6. What are the forms of in advance payment?
7. What is banker’s draft?
8. What is banker’s transfer?
9. Who are distributors? What are their functions?
10. When is payment made by bill of exchange?
TEXT 6(B). PART II.

Payment in foreign trade may be made by:

1. Banker’s transfer.
2. Bill of exchange.
3. Letter of credit.

BANKER’S TRANSFER. This is a simple transference of money from the bank account of a buyer in his own country to the bank account of the seller in the seller’s country. It is necessary for the buyer or a debtor to send a letter of instruction to his bank - or use a special form. The transfer is carried out at current rates of exchange. Such transfers are, of course, subject to any exchange control regulations of the countries concerned. This transaction is simple and quick and can be speeded up by cabled instructions if desired.

BILL OF EXCHANGE (B/E) A bill is an order in writing from a creditor to a debtor to pay on demand or on a named date a certain sum of money to a person named in the bill, or to his order. The bill is drawn by the creditor on the debtor, and is sent to the debtor (or his agent) to the latter to pay or accept. The debtor accepts by signing his name on the face of the bill. The bill now becomes legally binding, and the acceptor must meet it on or before the due date. The creditor or the debtor may pay in any bank named by them on the bill. Then it will be presented to the paying bank for settlement. Such a bill is said to be domiciled with the holding bank. The bill of exchange is negotiable. In order to negotiate the bill the holder must sign his name on the back of the bill, i.e. to endorse it. The holder can also sell the bill to a bank. which will
pay face value, less interest - this is called discounting a bill; he may leave it with a bank as security for loan.

A LETTER OF CREDIT (L/C)  This is the most generally used method of payment in the export trade today. It is ideal for individual transactions or for a series. It makes trade with unknown buyers easy. It gives protection to both seller and buyer and overcomes the credit gap.

GLOSSARY

domiciliation - the depositing of a bill by a drawee with a bank for payment when due (домицилирование, обозначение места платежа по векселю)
drawee - a person drawn upon (плательщик по вексель, трассант)
drawer - a person who draws a bill (трассант)
negotiate - to sell, or to discount a bill (пускать в обращение чек, вексель, инкасировать, учесть)
payer - a person who pays (плательщик)
payee - a person who receives the payment (получатель платежа)
due date - the date by which a bill must be paid (день оплаты)
endorse - to sign a document (cheque, bill) passing rights in it to another person (индоссировать документ; сделать передаточную надпись)
security - documents or valuables given as cover for loan (гарантия, залог)
accept - (зд.) to acknowledge the debt (признать долг)
Exercise 1. Answer the questions:

1. What are these texts about?
2. What is seen to by means of banks’ services in foreign trade?
3. When does the seller use open account terms?
4. When does the seller want to be paid in advance?
5. What is transaction from the bank account of a buyer to the bank account of the seller?
6. What is used to give the right to obtain the money or goods to the person named in the document for which the writer of the document takes responsibility?
7. What is used in a written order telling one person to pay a certain sum of money to the person named in the demand?
8. What is the time-payment loss between order and delivery?
9. When is the bill of exchange negotiable?
10. When is the bill of exchange endorsed?

Exercise 2. Match the words in given below statements:

1. One who exports; an exporting country.
2. A person owing money to another person or a customer, who has not yet paid for goods or services sold to him.
3. A person who possesses a bill of exchange or other document of the kind.
4. A person opposed to one who sells or who is responsible for buying the stocks of goods sold by the business.
5. A person who has an account with a bank.
6. A person or organization to whom money is owing.
7. A person who sells something.
8. The movement of money from one person to another.
9. A person who makes himself responsible for a bill of exchange due to signing his name on the face of the bill.

f. Debtor  g. Creditor  h. Acceptor  i. Holder

**Exercise 3.** Construct the sentences:
1. Accepts, signing, the, his, face, and, bill, debtor, bill, the, by, name, on, date, the, of, the.
2. Banks, could, without, modern, not, trade, exist.
3. As, depends, needs, handling, modern, on, trade, credit, it, careful.

**Exercise 4.** Give the Russian equivalents for:
- to honour
- banker’s transfer
- drawer
- to be domiciled
- banker’s draft
- time-lag
- to negotiate to
- to endorse
- to see to
- drawer
- instructions
- security
- discount
Exercise 5. Give the English equivalents for:

посредник — перевод
травсант — аккредитив
сбор документов — промежуток времени
тратта — плательщик
признать долг — залог
заем — вексель

КЛЮЧИ К УПРАЖНЕНИЯМ
PART 2. BANKING

Unit 1 Exercise1  1d; 2c; 3b; 4d; 5a; 6d; 7b
    Exercise3  1c; 2a; 3b; 4d; 5c
    Exercise4  1a; 2b; 3c; 4b; 5a; 6b

Unit 2 Exercise1  1c; 2b; 3d; 4a; 5c; 6d; 7a; 8b; 9c
    Exercise3  1d; 2d; 3c; 4b; 5a; 6c; 7c; 8c; 9b; 10b
    Exercise5  1d; 2a; 3b; 4c; 5b

Unit 3 Exercise1  1b; 2c; 3c; 4d; 5b; 6d; 7d; 8c
    Exercise3  1c; 2b; 3a; 4c; 5a; 6c; 7c
    Exercise5  1b; 2a; 3d; 4b; 5a; 6d
Громовая И.И., Шишкина С.Г.

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