

# Fundamentals of Banking and Management



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# FUNDAMENTALS OF BANKING AND MANAGEMENT

# Навчальний посібник

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## Передмова

**Н**авчальний посібник з англійської мови «Fundamentals of Banking and Management», призначений для студентів III курсу спеціальностей 6.050.200, 6.100.400, 6.100.403 факультету менеджменту та логістики, а також для всіх тих, хто вивчає економіку та бажає поглибити знання з англійської мови за темами, поданими у посібнику.

Метою навчального посібника є збагачення лексичного запасу студентів, ознайомлення з економічною термінологією.

Структура та зміст навчального посібника відповідають принципам кредитно-модульної системи навчання у вищих навчальних закладах. Посібник складається з двох розділів по два блоки, кожен з яких вміщує тексти з фаху, термінологічний глосарій та різні типи вправ. Така професійно орієнтована й чітка організація дає можливість розподілу та використання корпусу навчального матеріалу тематичних блоків за модулями згідно з навчальними робочими програмами, що допоможе студентам засвоїти та закріпити навчальний матеріал за темами розділів, підготуватися до складання заліків та іспиту з англійської мови.

Система лексико-граматичних та комунікативних вправ, які вимагають від студента вживання активної лексики з матеріалу, що вивчається, спрямовані на закріплення лексичного матеріалу за темами та відпрацювання мовленнєвих навичок і вмінь.

Посібник може бути використаний як підручник у навчальному процесі і як довідник для студентів і фахівців у сфері економіки.

## MODULE 1

### FUNDAMENTALS OF BANKING

#### 1.1. BANKING

##### Text 1

##### Warm-up

1. Translate the following word combinations: intrinsic part of our life, payment for goods and services, means of payment, barter economy, national currency, precious metals, system of deposits, a crucial feature, a safe place to keep gold, a guarded vault, background, to offer in exchange, medium of exchange, scarce resources, to spend time and effort.
2. As money has various uses in the modern world, try to list its various functions.

##### Vocabulary

double coincidence of wants — взаємне співпадання бажань  
mutually satisfactory swap — взаємозадовільний обмін  
monetary unit — грошова одиниця  
IOU (= I owe you) — найпростіший борговий документ  
counterfeiting — підробка, фальшивка  
goldsmith — золотих справ майстер  
keep accounts — вести рахунки  
intermediary — посередник  
transaction — операція, транзакція  
commodity — товар  
payment — оплата  
debt — борг  
trading — торгівля  
standard of value — стандарт вартості  
unit of account — одиниця рахунку, обліку, розрахунку  
deferred payment — відстрочена оплата  
benefit — вигода, прибуток  
swap — обмін  
token money — розмінні гроші, грошові знаки  
tender — засіб оплати

*legal tender — законний, нестатковий грош*

cash — готівка  
fine — штраф  
money holdings — грошовий запас  
loan — позика  
pay back — повертати, виплачувати  
interest — зацікавленість, процент (фінанси), частка  
lender — кредитор  
borrower — позичальник  
insurance — страхування  
liabilities — відповідальність, зобов'язання  
money stock — грошовий резерв

##### Money and Banking

Money is an intrinsic part of our life. (By money we mean any commodity generally accepted in payment for goods, services and debts.) The main use of money is to make the trading process simpler and more efficient, but actually money has various uses in the modern world and various functions, such as means of payment, medium of exchange, standard of value, unit of account, store of value, standard of deferred payment.)

Money, as the medium of exchange, is used in one-half of almost all exchange. Workers exchange labour services for money. People buy and sell goods in exchange for money. We accept money not to consume it directly but because it can subsequently be used to buy things we do wish to consume. Money is the medium through which people exchange goods and services. To see that society benefits from a medium of exchange imagine a barter economy.

A barter economy has no medium of exchange. Goods are traded directly or swapped for other goods. In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. There has to be a double coincidence of wants. Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful.

Although the crucial feature of money is its acceptance as the means of payment and medium of exchange, other functions are also in great importance. Money can also serve as a standard of value. Society considers it convenient to use a monetary unit to determine relative costs of different goods and services. In this function money appears as the

unit of account, the unit in which prices are quoted and accounts are kept. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well.

We can talk about different kinds of money.

In prisoner-of-war camps, cigarettes served as money. In the 19<sup>th</sup> century money was mainly gold and silver coins. These are examples of commodity money, ordinary goods with industrial uses (gold) and consumption uses (cigarettes), which also serve as a medium of exchange. To use commodity money, society must either cut back on other uses of that commodity or devote scarce resources to producing additional quantities of the commodity. But there are less expensive ways for society to produce money.

A token money is a means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money. (The essential condition for the survival of token money is the restriction of the right to supply it. Private production is illegal.) Society enforces the use of token money by making it legal tender. The law says it must be acceptable as a means of payment.

In modern economies, token money is supplemented by IOU money. IOU money is a medium of exchange based on the debt of a private firm or individual. A bank deposit is IOU money because it is a debt of the bank. When you have a bank deposit the bank owes money. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented. Bank deposits are a medium of exchange because they are generally accepted as payment.

As you know each country has its own national currency, but there is such a phenomenon as euro — it's European currency, which is acceptable in 12 countries of European Union. On 1 January 2002, the euro, which has been adopted in 1999, started circulating in notes and coins. This was a historical moment in the integration of Europe. From 1 January 2002 the euro existed as cash, but before it could be used only for banks and financial transaction.

What are the advantages of the euro?

- the euro is a safe currency against counterfeiting,
- the euro is based on one of the strongest economies in the world with stable prices,
- the euro is business friendly, *you need not*
- the euro is convenient and transparent for tourists.

But let's turn to the history and see how everything began, what is the background of banks.

In the past most societies used different objects as money. Some of these were valuable because they were rare and beautiful, others —

because they could be eaten or used. Early forms of money like these were used to buy goods. They were also used to pay for marriages, fines and debts. But although everyday objects were extremely practical kinds of cash in many ways, they had some disadvantages too. For example, it was difficult to measure their value accurately, divide some of them into a wide range of amounts, keep some of them for a long time, and use them to make financial plans for the future. For the reasons such as these, some societies began to use another kind of money that is precious metals.

*precious metals*  
(People used gold, gold bullion, as money.) Those were dangerous times, and people wanted a safe place to keep their gold. So they deposited it with goldsmiths, people who worked with gold for jewelry and so on and also had a guarded vault to keep it safe in. And when people wanted some of their gold to pay for things with, they went and fetched it from goldsmith.

Two developments turned these goldsmiths into bankers. The first was that people found it a lot easier to give the seller a letter than it was to fetch some gold and then physically hand it over to him. This letter transferred some of the gold they had at the goldsmith's to the seller. (This letter we would nowadays call a cheque.) And, of course, once these letters or cheques became acceptable as a way of paying for goods, people felt that the gold they had deposited with the goldsmith was just as gold in their own pockets. And as letters or cheques were easier to carry around than gold and a lot less dangerous, people started to say that their money holdings were what they had with them plus their deposits. So a system of deposits was started. The second development was that goldsmiths realized they had a great deal of unused gold lying in their vaults doing nothing. This development was actually of greater importance than the first.

Now let's turn to the first bank loan and see what happened. A firm asked a goldsmith for a loan. The goldsmith realized that some of the gold in his vault could be lent to the firm, and of course he asked the firm to pay it back later with a little interest.

(The goldsmith bankers were early examples of a financial intermediary.)

(A financial intermediary is an institution that specializes in bringing lenders and borrowers together.) Banks are not the only financial intermediaries. Insurance companies, pension funds and building societies also take money in order to relend it. The crucial feature of banks is that some of their liabilities are used as a means of payment and are therefore part of the money stock.)

## Assignments

### I. Answer the questions.

1. What do we mean by money?
2. What is the main use of money?
3. What is IOU money?
4. What are the advantages of the euro?
5. What did people use as money?
6. What developments turned goldsmiths into bankers?

### II. Translate the following sentences into Ukrainian. Put questions to any two of them.

1. By money we mean any commodity generally accepted in payment for goods, services and debts.
2. In a barter economy, the seller and the buyer each must want something the other has to offer.
3. A token money is a means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money.
4. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented.
5. The goldsmith realized that some of the gold in his vault could be lent to the firm, and of course he asked the firm to pay it back later with a little interest.

### III. Translate the following sentences into English.

1. Гроші є невід'ємною частиною нашого життя.
2. Люди купують та продають речі в обмін на гроші.
3. Гроші у вигляді найпростішого боргового документу є засобом обміну, що базується на борзі приватної фірми чи фізичної особи.
4. У минулому більшість суспільств використовували різні предмети як гроші.
5. Вирішальною особливістю банків є те, що частина їхніх пасивів використовується як засіб оплати і, отже, є частиною грошового фонду.

### IV. Name the following definitions.

1. The medium through which people exchange goods and services.
2. Means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money. *token money - грошова знавка*
3. Medium of exchange based on the debt of a private firm or individual. *IOU money - найпростіший борговий документ*

4. European currency, which is acceptable in 12 countries of European Union.

5. People, who worked with gold for jewelry and so on and also had a guarded vault to keep it safe in. *goldsmiths*

6. It is an institution that specializes in bringing lenders and borrowers together. *bank financial institution*

### V. Make a scheme to money functions.

VI. Work in groups of three. In pairs make a dialogue based on the text. Ask the third student to report it.

### VII. Sum up what the text says about:

- 1) money: its functions, its history and kinds;
- 2) history of banks.

## Text 2

### Warm-up

1. Translate the following word combinations: banking system, bank notes, financial intermediaries, government, corporate and individual clients, home-buyers, World Bank, the European Bank for Reconstruction and Development, in turn.

2. Name some types of banks you know. What is your classification based on?

### Vocabulary

- license — видавати ліцензію  
 interest rate — процентна ставка  
 lend — надавати у позику, кредитувати  
 subsidiary — дочірнє підприємство, компанія  
 share — акція  
 bond — облигація  
 stockbroking — фондове брокерство  
 portfolio — портфель цінних паперів  
 advisory services — консультативні послуги  
 exchange rate — обмінний курс  
 last resort — остання (єдина) надія  
 depositor — вкладник  
 households — домашнє господарство  
 share — акція, пай, частина

investment advice — порада, консультація з приводу інвестування, капіталовкладення  
 hire purchase — купівля у розстрочку  
 installment credit — кредит на розстрочку  
 merchant bank — торговий банк  
 underwrite — брати на себе фінансування, приймати страховий ризик  
 securities — цінні папери  
 takeover — злиття, приєднання компаній  
 merger — злиття, поглинання компаній  
 mortgage — застава, *ипотека, іпотечні кредити*  
 on the security — під заставу  
 saver — заощаджувач, зберігач  
 go bankrupt — збанкрутувати

## Types of Banks

There can be different types of banks.

Central banks supervise the banking system, the fixed minimum interest rate, issue bank notes, control the money supply, influence exchange rates and act as lender of last resort.

Commercial banks are businesses that trade in money. They borrow money from the public, crediting them with a deposit. The deposit is a liability of a bank. It is money owed to depositors. In turn the bank lends money to the firms, households or governments wishing to borrow. Commercial banks are financial intermediaries with a government license to make loans and issue deposits, including deposits against which cheques can be written.

In some European countries, notably Germany, Austria and Switzerland, there are universal banks which combine deposit and loan banking system with share and bond dealing, investment advice, etc. Yet even universal bank usually forms a subsidiary, known as a financial house money — at several per cent over the base lending rate — (for hire purchase or installment credit, that is, loans to consumers that are repaid in regular, equal monthly amounts).

In Britain, the USA and Japan, however, there is, or used to be, a strict separation between commercial banks and banks that do stockbroking or bond dealing. Thus in Britain, merchant banks specialize in raising funds for industry on the various financial markets, financing international trade, issuing and underwriting securities, dealing with takeovers and mergers, issuing government bonds and so on. They also offer stockbroking and portfolio management services to rich corporate and individual clients.

Investment banks in the USA are similar, but they can only act as intermediaries offering advisory services and do not offer loans themselves.

In Britain there are also building societies that provide mortgages, i.e. they lend money to home-buyers on the security of houses and flats and attract savers by paying higher interest than the banks. The savings and loan associations in the USA served a similar function, until most of them went spectacularly bankrupt at the end of 1980s.

There are also supranational banks such as World Bank or the European Bank for Reconstruction and Development, which are generally concerned with economic development.

## Assignments

### I. Answer the questions.

1. What do the central banks supervise?
2. What are commercial banks?
3. What does universal bank usually form a subsidiary for?
4. What do merchant banks in Britain specialize in?
5. What do building societies in Britain provide?
6. What types of banks do you know now?

### II. Translate the following sentences into Ukrainian. Put questions to any two of them.

1. Central banks supervise the banking system, the fixed minimum interest rate, issue bank notes, control the money supply, influence exchange rates and act as lender of last resort.

2. Commercial banks are financial intermediaries with a government license to make loans and issue deposits, including deposits against which cheques can be written.

3. In some European countries, notably Germany, Austria and Switzerland, there are universal banks which combine deposit and loan banking system with share and bond dealing, investment advice, etc.

4. In Britain, the USA and Japan, however, there is, or used to be, a strict separation between commercial banks and banks that do stockbroking or bond dealing.

5. There are also supranational banks such as World Bank or the European Bank for Reconstruction and Development, which are generally concerned with economic development.

### III. Translate the following sentences into English.

1. Комерційні банки — це підприємства, які ведуть торгівлю грошима.

2. Комерційні банки позичають гроші громадськості, яка кредитує їх депозитами (вносить на депозит).
3. У Великій Британії, США та Японії с, або було раніше, суворе розмежування між комерційними банками та банками, які займаються фондовим брокерством чи справами з облігаціями.
4. Депозити — це пасиви банка.

#### IV. Name the following definitions.

1. Banks, that supervise the banking system, the fixed minimum interest rate, issue bank notes, control the money supply, influence exchange rates and act as lender of last resort.
2. Financial intermediaries with a government license to make loans and issue deposits, including deposits against which cheques can be written.

#### V. Define the following terms:

merchant bank, investment bank, universal banks, financial house money, mortgage.

#### VI. Make a scheme to different types of banks.

VII. Work in groups of three. In pairs make a dialogue based on the text. Ask the third student to report it.

#### VIII. Sum up what the text says about different types of banks.

### Text 3

#### Warm-up

1. Translate the following word combinations: mode of working, to put into effect, overall policy, day-to-day running of the bank, to make a profit, principal purposes, national currency, foreign currency, law regulations, to pass a law.
2. Try to define the structure of Ukrainian banking system.

#### Vocabulary

shareholder — акціонер  
 Chairman — голова  
 Board of Directors — рада директорів  
 Annual General Meeting — щорічні загальні збори  
 current account — поточний рахунок

deposit account — депозитний рахунок  
 joint stock — акціонерний  
 standing order — постійне доручення клієнта банку  
 savings account — ощадний рахунок  
 activities — діяльність  
 net amount — чиста сума  
 legal entity — фізична або юридична особа  
 charter — статут, хартія, чартер  
 entitlement to effect banking operations — право на ведення, здійснення

#### Bank Structure

Commercial banks have branches in all major towns and a similar structure and mode of working common to them all.

(The essence of a bank's activities is the collection of deposits through current accounts and deposit accounts and the use of these funds to provide loans or funds for investment.) The current account is the one commonly held and drawn upon by cheques and standing orders. The deposit account is more in the nature of a savings account. The pattern of investments which a bank decides upon is crucial because, on the one hand, the bank must use the funds wisely to make a profit and, on the other, funds must be available for depositors to withdraw when they wish to do so.

The owners are the shareholders. At the outset they provide the necessary capital. They are organized on the joint stock principle and are registered public companies. (The Board of Directors and the Chairman are elected by ordinary shareholders at the Annual General Meeting) and are responsible for the efficient management of the bank. The Board is concerned with the overall policy of the bank and the major decisions which put that policy into effect. The Board appoint a Managing Director who is directly responsible to them and a member of the Board. They also appoint senior executives who in turn appoint the rest of the clerical staff who are responsible, in different capacities, for the day-to-day running of the bank.

At the end of each business year the Board of Directors recommend and the Annual General Meeting decides how much of the profit should be distributed to the shareholders as dividend, and how much should be retained in the business. In preparation for the Annual General Meeting, a bank publishes its Report and Accounts from which shareholders can easily determine the total profits the bank has earned and how much is available for distribution. The published accounts must be sent to every shareholder and are also available for anyone with an interest in the affairs of the bank.

## Ukrainian Banking System

(The banking system of Ukraine dates to March, 1991, when the Ukrainian Parliament passed the Law on Banks and Banking Activities. Ukrainian present day banking system features two levels of banking institutions, (the National Bank of Ukraine (high level) being the regulating body and commercial banks) and credit institutions (lower level) being banking services providers for economic subjects.)

The principal purposes of the National Bank activities are:

- protection of the national currency,
- development and enhancement of national banking system,
- provision for efficient payment system functioning.

Some of its functions are as follows:

- currency issue,
- payment regulation, *for payment*
- issue and withdrawal of banking licenses,
- regulation of operations in foreign currency.

Major payment transactions in Ukraine are effected via the National Bank clearing system — a set of arrangements in which debts between banks are settled by adding up all the transactions in a given period and paying only the net amounts needed to balance inter-bank accounts.

The National Bank reports to the Parliament.

Commercial banks and credit institutions are founded and operated in compliance with the Law on Banks and Banking Activities. Other applicable law regulations are issued by the National Bank. *for payment* Commercial bank is considered founded and regarded as a legal entity after registration of its charter at the National Bank of Ukraine. The license issued in its name by the National Bank of Ukraine confirms its entitlement to effect banking operations.

## Assignments

### I. Answer the questions.

1. Who are the owners of a bank?
2. Who are the Chairman and the Board of Directors elected by?
3. What is the Board of Directors concerned with?
4. What is the essence of a bank's activities?
5. What does the banking system of Ukraine consist of?

### II. Translate the following sentences into Ukrainian. Put questions to any two of them.

1. The English commercial banks have branches in all the major towns and a similar structure and mode of working is common to them all.

2. The Chairman and the Board of Directors are elected by the ordinary shareholders at the Annual General Meeting and are responsible for the efficient management of the bank.

3. The Board is concerned with the overall policy of the bank and the major decisions which put that policy into effect.

4. At the end of each business year the Board of Directors recommend and the Annual General Meeting decides how much of the profit should be distributed to the shareholders as dividend, and how much should be retained in the business.

5. The banking system of Ukraine dates to March, 1991, when the Ukrainian Parliament passed the Law on Banks and Banking Activities.

### III. Translate the following sentences into English.

1. Сутність банківської діяльності полягає у зібранні депозитів через поточні та депозитні рахунки і використанні цих коштів для надання позик чи коштів для інвестування.

2. Депозитний рахунок за своєю природою є скоріш ощадним рахунком.

3. Сучасна банківська система України визначає два рівні банківських установ: Національний Банк України (вищий рівень) та комерційні банки (нижчий рівень).

4. Комерційні банки засновуються і діють згідно з Законом «Про банки та банківську діяльність».

### IV. Name the following definitions.

1. Account, which is the one commonly held and drawn upon by cheques and standing orders.

2. Another type of account, which is more in the nature of a savings account.

3. The body concerned with the overall policy of the bank and the major decisions which put that policy into effect.

4. A person appointed by the Board of Directors, who is directly responsible to them and a member of the Board.

5. In preparation for the Annual General Meeting, a bank publishes these papers showing the total profits the bank has earned and how much is available for distribution and sends them to every shareholder.

### V. Make a scheme to 1) the structure of a bank, 2) Ukrainian Banking System.

### VI. Work in pairs. Make a dialogue based on the text. Exchange roles and report your partner's replies.

## VII. Sum up what the text says about:

- 1) the structure of a bank;
- 2) Ukrainian Banking System.

### Text 4

#### Warm-up

1. Translate the following word combinations: system of payments, banking services, interest rates, landowner, deposit operations, credit operations, payment operations, cash operations, additional operations, to grant a loan, to pay back loaned money, to conduct payment through a bank.

2. Have you ever used any bank services? What types are they?

#### Vocabulary

owner of real estate — власник нерухомості  
 assets — активи  
 collateral — забезпечення кредиту (цінними паперами)  
 savings account — ощадний рахунок  
 cash dispenser — автомат для виплати готівки, банкомат  
 ingot — зливки  
 automated teller machine — автоматична касова машина  
 tax agencies — податкова агенція, податкове бюро  
 tool-kit — набір інструментів  
 specific weight — питома вага  
 transfer payment — платіжне доручення  
 payment order — платіжне доручення  
 inculcation — навіювання, зачарування, прищеплення  
 stock exchange — фондова біржа  
 free — безкоштовний, безоплатний  
 time deposit — терміновий вклад  
 safe custody — зберігання коштовностей  
 to keep deposits — зберігати депозити  
 to pay interest rates on deposits — платити відсотки на депозити

#### Banking Services

Banks are the most important link in the world of money. This is because, first of all, banks nowadays perform the main part of the work of transferring money from a customer to a seller, by operating the system of payments in the economy. Almost everyone in the world uses

or has used banking services. Families keep their savings there, and banks pay them interest rates on their deposits and give them loans to buy expensive goods. Companies conduct payments through them. Commercial organizations, which work at the market and in production, take loans for their needs and conduct all payments with buyers and sellers through them. Landowners and owners of real estate take loans from the banks to buy an estate or to make use of it and pay back loaned money.

As we can see, everything in the economy is controlled by money, and banks are a tool-kit for the economy — controlling the money circulation between firms, depositors and loaners, and offering services to make that circulation easier for them. Banking services also have a productive nature. Even such a simple operation as the admission of money on deposits from people and companies involves a huge productive force. A bank does not just collect money — it converts non-working, unused money resources, to working assets. This is also true of credits given to companies and firms for the development of their productive and financial activity. A sound and stable economy of any country depends on healthy banking services.

All banking services can be divided into specific and nonspecific services. Specific services include: 1) deposit operations; 2) credit operations; 3) payment operations.

Deposit operations are the operations of placing clients' money into the bank on deposit. While keeping money for its clients, the bank pays them interest.

Credit operations are the operations of giving loans to bank clients and receiving in exchange interest rates on those loans. Credit operations are the main operations of a bank. Banks are the biggest center of credit. Credit operations form the main specific weight of any bank's assets because they give the biggest profit to the banks.

Payment operations by banks can be fulfilled in cash or in transfer payments. Banks can open different account numbers for their clients and can fulfill their payment orders related to buying or selling goods, paying wages, transferring tax payments and making all other important payments. In issuing payments the bank is acting as an intermediary between sellers and buyers, companies, tax agencies, citizens, and the budget.

These three types of bank operations are commonly called traditional bank operations. The term 'traditional' is applied because all of these operations together establish what we call a bank.

Cash operations can also be regarded as traditional operations. They are the operations of giving out cash money to the clients from their

accounts and exchanging cash currency. According to the law, these operations have not been included in the basic operations that form up a bank, but in their meaning they reflect the essence of the bank system. It is difficult to imagine a bank that has deposits, gives loans and conducts payments, but does not have cash operations.

Additional operations can be placed between traditional and non-traditional operations. They include currency operations and operations with securities with gold, precious metals and ingots. A bank does not have to include these operations in its activities. In 1994 the majority of banks did not have a currency license, and even nowadays in some city banks are not allowed to make operations with gold, precious metals and ingots, yet they have not lost the right to be called banks.

All other services are included in non-traditional services. There are many of them, such as:

- ✓ — intermediary services;
- services directed to the companies' development (incubation of the stock exchange, placing shares, juridical help, information services etc.);
- ✓ — giving guaranties and collateral;
- trusting operations (including consultations and help in the management of the clients' property);
- ✓ — providing accounting help to the companies;
- ✓ — presenting the clients' interests in the court;
- tourists services etc.

All banking services are also subdivided into paid and free services. A bank can decide which services will be paid for and which not, but until now every single activity of the bank has been paid for by clients and all services have been divided into very expensive and inexpensive services.

In fact banker's services cover an enormous range of activities today. A full list would include:

Current account services. They are extended to anyone whom banks regard as reliable. A new depositor should be recommended by his employer or should present a reference. If this proves satisfactory the bank will accept a deposit from him which will be entered in his current account. A cheque book will then be issued free of charge. Once the customer has received his cheque book he may use the cheques to order the banker to pay out sums of money from his current account. Money is being paid into and paid out of the account as often as the customer finds convenient.

Deposit account services. Companies and individuals can deposit cash resources that are not needed at present. They can withdraw the money either any day they need it or after a certain period in case of time deposits.

Savings account services. It enables small savers to put money away for particular purposes, for example for holidays.

Other services: foreign exchange; foreign exchange transactions; services in foreign trade payments; discounting bills of exchange; granting loans; investment management services; cash dispensers and automated teller machines; safe custody; economic information; banker's credit cards and many others.

## Assignments

### I. Answer the questions.

1. Why are banks the most important link in the world of money?
2. What can all banking services be divided into?
3. What are the types of bank operations commonly called traditional bank operations?
4. What is included in non-traditional services?
5. Who can decide which services will be paid for and which not?

### II. Translate the following sentences into Ukrainian. Put questions to any two of them.

1. Commercial organizations, which work at the market and in production, take loans for their needs and conduct all payments with buyers and sellers through banking services.
2. Landowners and owners of real estate take loans from the banks to buy an estate or to make use of it and pay back loaned money.
3. All banking services can be divided into specific and nonspecific services.
4. While keeping money for its clients, the bank pays them interest.
5. Additional operations can be placed between traditional and non-traditional operations.

### III. Translate the following sentences into English.

1. Майже кожен у світі користується чи користувався банківськими послугами.  
*Almost everyone in the world uses or has used banking services.*
2. Банк не лише накопичує гроші — він перетворює грошові ресурси, які не працюють і не використовуються, на працюючі активи.  
*A bank does not just collect money — it converts non-working money into working money.*
3. Депозитні операції — це операції з внесення грошей клієнтів у банк на депозит.  
*Deposit operations are the operations of putting money to bank.*
4. Кредитні операції — це операції з надання позик клієнтам банку та отримання в обмін відсотків за цими позиками.  
*Credit operations are the operations of giving loans to bank clients and receiving interest on these loans.*
5. Банківські платіжні операції можуть здійснюватися готівкою чи переказним платежем.  
*Payment operations by banks can be fulfilled in cash or by transfer payment.*

#### IV. Name the following definitions.

1. The operations of placing clients' money into the bank on deposit.
2. The operations of giving loans to bank clients and receiving in exchange interest rates on those loans.
3. The operations of giving out cash money to the clients from their accounts and exchanging cash currency.
4. Operations, which include currency operations and operations with securities — with gold, precious metals and ingots.

V. Make a scheme to various banking services. *(actual traditional and new - tradition)*

VI. Say which services of banks seem most important to you, and why.

VII. Work in chain. Ask your neighbour a question based on the text. He or she has to report your question, answer and ask his one to the next student to continue chain-work.

VIII. Sum up what the text says about banking services.

### Text 5

#### Warm-up

1. Translate the following word combinations: to open current and deposit accounts, intention to withdraw money, everyday expenses, disbalance between income and expenditure, alternative form of saving, to make payments by cheque, to offer a high interest rate, to give services without charge.
2. When do people deposit money with a bank? Describe process of depositing money with a bank.

#### Vocabulary

surplus — надлишок  
rate of interest — відсоткова ставка  
standing order — постійне доручення клієнта банку  
withdraw — вилучати  
direct debit — прямий дебіт  
overdraft — овердрафт, перевищення кредитного ліміту  
overdraw — перевищувати кредитний ліміт  
paying-in-book — ошадна книжка  
advertise — рекламувати  
notice of intention — повідомлення про намір  
expenses — витрати *expenditures*  
balance — баланс, залишок

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### Bank Accounts

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

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

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

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

direct debit — списання грошей з банківської поручення виплати до 21 варті поручення на банківський рахунок