

BANKING



- 1 What banking is? (M.Y. Banks and money)
- 2 History of banks. (M.Y. Banks and money)
- 3 Types of banks. (Key voc. U6 p.56 N.I.)
- 4 Early forms of money (Money makes the world go round)
- 5 Types of money. (text "Money functions")
- 6 Functions of money (text "Money functions")
- 7 Banking documents. (ex.3 p.57 N.I.)
- 8 Traditional and new ways of banking services. (B.V.U. U?)
- 9 Why money makes the world go round?
- 10 The bank account you prefer.

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What banking is?

Banking is the business activity of banks.

Banking is the activity of using the services that a bank offers.

Bank is an organization that provides various financial services to people and businesses, for example keeping or lending money, investing or changing to foreign currency.

History of Banks and Money

Speaking about banks and money we can't help mentioning the city of Amsterdam. By 1609 there were a lot of coined money there. It was the problem of quality of coins that the merchants had to solve. In 1609 they created a bank owned by the city. A merchant brought his good and wretched coins to the bank, the bank weighed them. The weight of the pure metal was then credited to his account.

This deposit was a very reliable form of money. A merchant could transfer it to the account of another merchant. The recipient knew that he was getting honest weight, nothing funny.

1. What financial establishment was founded in Amsterdam in 1609?
2. How was the problem of quality of coins solved by the Bank of Amsterdam?
3. Why do you think a deposit was a reliable form of money?

History of Banks and Money

Then came the second Amsterdam discovery. The deposits did not need to be left idle in the bank. They could be lent. The Bank then got interest. The borrower then had a deposit that he could spend.

The important thing is that the original depositor and the borrower must never come at the same time for their deposits. But every monetary innovation or reform carries the seeds of some new abuse. A lot of money was borrowed by the Dutch East India Company. In the 18th century it fell on hard times as there was war with England and ships didn't come back. The loans went into default. The depositors started coming and they couldn't be paid.

1. What did the Bank do with the idle money?
2. How did the Bank get interest?
3. Why did the loans of the Bank go into default?

Find the English equivalents to the following Russian phrases:

1. бездействующие деньги

2. ссужать, давать займы

3. процент

4. заемщик, получатель
ссуды

5. денежный

6. злоупотребление

7. заем, ссуда

8. неуплата

9. прекращать платежи

1. monetary

2. to go into default

3. abuse

4. loan

5. borrower

6. to lend

7. default

8. idle money

9. interest

History of Banks and Money

In 1716 in Paris John Law sold an idea for a new kind of bank.. The deposits of it would be secured by land rather than by silver and gold. Thus the Bank Royal was established. Then John Law organized the Mississippi Company. It held absolute title to all lands north from the Gulf of Mexico to Minnesota. There, it was said, gold and silver were in unlimited supply. The price of the stock went up, sometimes by the hour. But then doubt began to develop about the notes. So people started bringing them to the Bank for the silver and gold. The prince de Conti sent three wagons to carry back the gold. But the Bank couldn't pay. Like the deposits in Amsterdam, Law's notes were money created by a bank. The notes were worthless.

1. What kind of Bank did Law created?
2. What company did he organize?
3. Why did people start bringing back the notes?
4. Why did the Bank crash?

History of Banks and Money

In 1694 the Bank of England was formed. The Bank regulated the creation of money. The Bank maintained reasonable reserves of cash against their note issues. Later the Bank acquired a monopoly of note issue throughout the country. The customers of the commercial banks transferred gold and silver from the ordinary banks to the Bank of England. The commercial banks could replace their depleted reserves by borrowing from the Bank of England. But the Bank could raise the rate of interest, that is the Bank Rate (or the discount rate). So the Bank of England had the regulatory functions.

1. When was the Bank of England formed?
2. What were its functions?
3. What monopoly did it acquire?
4. What is the principal difference between its operations and that of ordinary banks?

History of Banks and Money

Coinage was the invention of the Greeks. We come now to paper money. They came from America. It was Benjamin Franklin who first printed money for the colonial governments on his own printing press. The Quebec model of money was the playing card as most readily available and durable stock. The official government signature was simply attached to it. The cards were redeemed in gold and silver.

1. What is the origin of paper money?
2. Who was the first printer of paper money?
3. What was the model of money. In Quebec?

Mach these words and word combinations

1. a good coin
2. to borrow
3. an original deposit
4. a buyer
5. to issue notes
6. to transfer to one's account
7. to return notes for collection in gold and silver
8. to repay loans
9. open market operations

1. выпускать банкноты
2. занимать
3. покупатель
4. перевести на счет
3. операции на открытом рынке
6. первоначальный депозит
7. полноценная монета
8. обменивать банкноты на золото и серебро
9. погашать ссуду

History of Banks and Money

Have you ever heard of "coins" so heavy that it takes several men to carry them? It's too surprising but you'll find such coins on the Island of Yap, in the East Pacific Islands. They are made of stones with the hole in the centre. The natives still use them as money.

These coins are probably the heaviest and the biggest known. The lightest and the smallest were the gold coins used in Southern India at the beginning of the last century. They were "pin-head" size.

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Thank
you for
your
attention

ВАШИ ЗАДАНИЯ:

Learn new vocabulary

1

Tell about History of Banks
and Money

2

Learn new vocabulary

3

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