

## 4.4. INTERNATIONAL BANKING AND FINANCE

### Unit 1. Bank organization

The way in which a bank is organized and operates is determined by its objectives and by the type of economy in which it conducts its business. A bank may not necessarily be in business to make a profit. CENTRAL BANKS, for example, provide a country with a number of services, while DEVELOPMENT BANKS exist to increase the economic growth of a country and raise the living standard of its population. On the other hand, the aim of COMMERCIAL BANKS is to earn profits. They therefore provide and develop services that can be sold at a price that will yield a profit.

A commercial bank which provides the same range of services year after year is less likely to be successful than one which assesses changes in the demand for its products and which tries to match products to its customers' needs. New services are constantly being introduced and developed by commercial banks, and the full-service philosophy of many banks means that they are akin to financial supermarkets, offering a wide variety of services. However, not every bank may want to offer every kind of financial service. Many banks offer a combination of wholesale and retail banking.

The former provides large-scale services to companies, government agencies and other banks. The latter mainly provides smaller-scale services to the general public. Both types of banking, however, have three essential functions, which are:

- deposits
- payments
- credits

These three functions are the basis of the services offered by banks. They make it possible for banks to generate profits and to achieve their operating aims. Several factors have combined to make banking an international business. These include the growth of multinational companies and of international capital markets, the increased competition between the banks themselves, and important improvements in communications and transportation. The major banks of the world have established the extensive international operations by acquiring banks in other countries, by extending their own branch network abroad and by establishing correspondent relationships with foreign banks so as to develop profitable joint operations. The operations of these major commercial banks are dynamic and rapidly changing, and their organization is of a global nature.

**TASK:** Read, translate and discuss the text with your groupmates.

## Unit 1. Bank organization

This unit is about bank organizational structures and how to describe them. You will hear three bankers describing the structure of organizations they work for banks of different types and sizes in different countries.

### Section A

#### A 1

**Look through the following short report concerning the reorganization of a bank.**

\* \* \*

The Allied Bank is reorganizing its operations into 3 business sectors: corporate banking and international banking operations will be headed by Bernard Rogers, who is currently Director of International Banking Operations and Deputy General Manager; The finance operations sector, including foreign exchange operations, short-term money market operations and accounting, will be headed by Lucy John, while David Lacey has been named Deputy General Manager with responsibility for the branch network and retail banking sector.

1. In the boxes below each name, fill in the division for which each person will be responsible. Beneath the boxes add any details which are given about the responsibilities of the divisions.

**Bernard Rogers**

**Lucy John**

**David Lacey**

2. Now look at the words in the left-hand column, which are taken from the text. Match them with words from the right-hand columns.

1. operations	A. reports
2. sectors	B. at present
3. headed	C. activities
4. currently	D. sales
5. including	E. covering
6. named	F. appointed
	G. led
	H. offices
	I. areas

### A 2

You are going to hear Ed Walker, an Assistant Vice-President of a large American Bank, talking about the structure of his bank to Françoise Caie, a French banker. Before you listen to the conversation, look at these questions which you will answer after you have listened for the first time.

**1. Is Ed:**

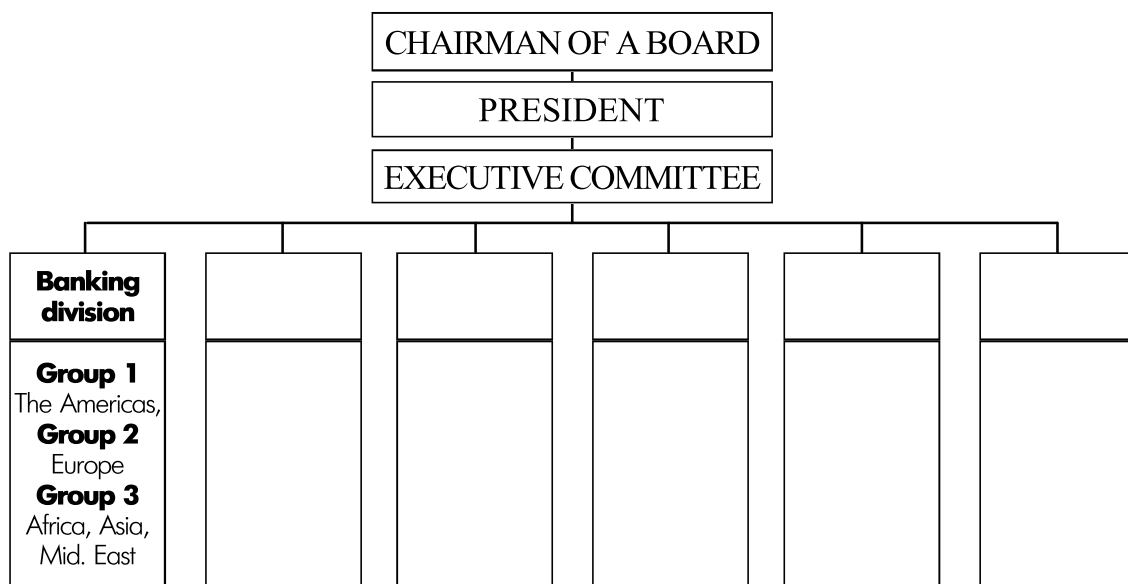
- a) explaining the bank's organizational structure?
- b) discussing the bank's organizational structure?

**2. Does Ed:**

- a) give a basic outline of the bank's organizational structure?
- b) give a detailed analysis of the bank's organizational structure?

### A 3

Listen again to what Ed says about the structure of his bank. As you do so, complete the following organization chart. Firstly, write in the boxes the names of the divisions. Then under the boxes add details of the responsibilities of each of the divisions.



### A 4

Look at the words in the box, all of which are from this section. Check any words that you do not know with the partner. Then, working together, match the words with the correct definition from the list below.

credit policy	Bullion	Consumers
annual report	line divisions	Strategic planning
premises	Personnel	Commercial paper
domestic	Reorganized	Municipal bonds
comptroller's department		
Investment portfolio management		

1. A report presented each year, giving details of the company's activities and financial performance during the previous financial year.
2. Formed or structured in a new way.
3. Sections of a company which deal with different products of services from each other.
4. People who buy goods or services.
5. In your own country, not abroad.
6. Management of a client's collect investment.
7. Short-term documents usually sold by big US corporations, promising to pay a special sum of money on a particular date. They may be sold again by the buyer.
8. Documents issued by a local government authority, promising to repay loans at a certain time.
9. Bars of gold or silver.
10. Employees, staff.
11. Buildings and surrounding land.
12. A department which controls the internal finances of a company.
13. Deciding the main aims of an organization.
14. Plans for the lending of money.

## **Section B**

### *B 1*

You are going to hear Clive Regis, the Director of a London merchant bank, being interviewed about the bank's organization. As you listen, look at these headings. Which ones does he talk about and in which order?

- Structure of the parent company
- Brief history of the bank
- Range of services provided
- Recent changes

**B 2**

Look at the terms in the left-hand column. Match each one with its correct definition in the right-hand column.

<b>1</b> merchant bank	<b>A</b> The selling-off interest
<b>2</b> clearing bank	<b>B</b> A very large loan for one borrower, arranged by several banks.
<b>3</b> wholly-owned subsidiary	<b>C</b> Money overdrawn on bank accounts to agreed limits.
<b>4</b> accounting and audit	<b>D</b> Documents promising to pay sums of money at specified times.
<b>5</b> syndicated loan	<b>E</b> Money placed in countries with very low taxes.
<b>6</b> overdraft	<b>F</b> The joining of two or more companies into one.
<b>7</b> documentary credit	<b>G</b> A bank which is a member of a central organization through which cheques are presented for payment.
<b>8</b> Correspondent banking	<b>H</b> Activities where one bank acts as an agent for another bank.
<b>9</b> currency option	<b>I</b> A contract where the buyer has the right to demand purchase or sale of a specified currency, but no obligation to do so.
<b>10</b> bonds	<b>J</b> A bank mainly concerned with the financing of international trade.
<b>11</b> floating rate note	<b>K</b> An organization which collects and pools money from many small investors and invests it in securities for them.
<b>12</b> Eurodollar CD	<b>L</b> A company entirely owned by another company.
<b>13</b> financial futures	<b>M</b> A limited company formed to invest in securities.
<b>14</b> merger	<b>N</b> A method of financing international trade where the bank accepts a bill of exchange from the exporter for the invoice amount, in return for receipt of the invoice and certain shipping documents.
<b>15</b> take over	<b>O</b> The buying of a majority of the shares of companies.
<b>16</b> divestment	<b>P</b> Contracts to buy or sell currencies, bonds, and bills, etc. at a stated price at some future time.
<b>17</b> USM flotation	<b>Q</b> Note on which interest rates are fixed periodically, and which can be traded on the market.
<b>18</b> investment trust	<b>R</b> Document given for a deposit repayable on a fixed date, the currency being dollars which are deposited outside the USA.
<b>19</b> unit trust	<b>S</b> The keeping of financial records and their periodic examination.
<b>20</b> offshore funds	<b>T</b> The starting of a new limited company, where the shares are not included in the official list on the Stock Exchange

**B 3**

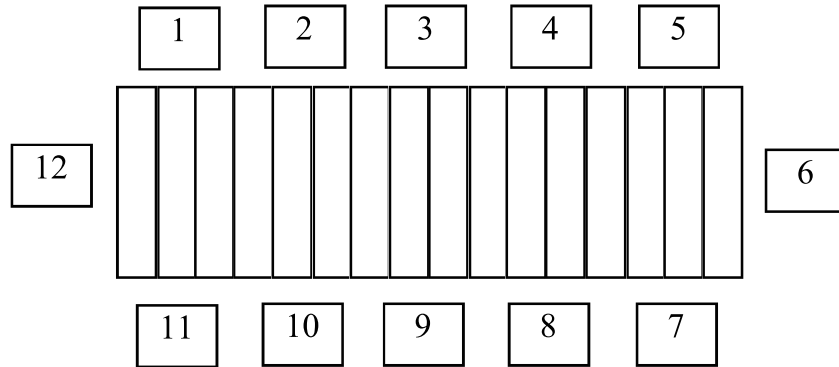
Listen again to what Clive says about the organization of the bank. As you do so, write in the boxes below the names of the six divisions to which he refers and list their main areas of responsibility.

Admin. Division					

**B 4**

Imagine that you are organizing a dinner party for 12 bank officials, including yourself. The other 11 people each work in different areas of banking, which are as follows:

Financial control	Syndicated loans
Investment management	Correspondent banking
Documentary credits	Foreign exchange
Planning	Corporate finance
Overdrafts	Accounting and audit
Project finance	



Draw up a seating plan for the guests and yourself, placing everyone at the table below. When you've finished, compare your plan with that of a partner. Discuss any similarities and differences, and explain the reasons behind your plan.

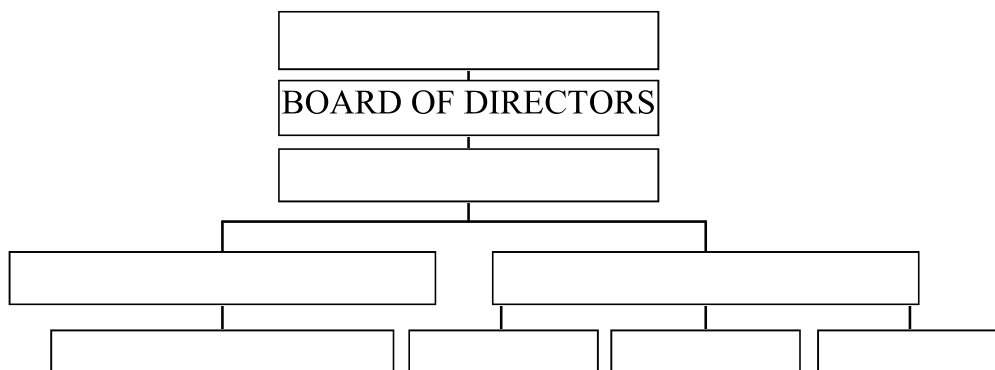
**Section C**

**C 1**

So far we have heard about and looked at the structure of a large American bank and British merchant bank. Now we are going to look at the work of a savings bank. Look at the following list of banking services. Put a tick (✓) next to those that are traditionally associated with saving banks.

CURRENCY OPTIONS	
PERSONAL LOANS	
SAFE - DEPOSIT SERVICES	
TAKE OVERS	
DEPOSIT ACCOUNTS	
BULLION	
PAYMENT OF STANDING ORDERS	
CHEQUE PAYING SERVICES	
LEASING PACKAGES	

## C 2



Listen and complete the chart.

## C 3

Look at the following extracts from Kai's description of the saving bank. Work with a partner and note down what you think the speaker says instead of the words in brackets. Then listen to the section again and compare your answers with the words Kai actually uses.

1. ...to understand just what we are and that is a \_\_\_\_\_ (bank set up to accept deposits from members of the public)
2. ... \_\_\_\_\_ in 1878 ...(set up, established)
3. In 1980 we \_\_\_\_\_ with the two largest regional savings banks (joined together)
4. ... and effectively this now gives us a \_\_\_\_\_ to serve the private customer...(system of local offers over the whole country)
5. There's a Board of Directors, which is elected by the Board of \_\_\_\_\_ (people responsible for administering money or property for the benefit of others)
6. ...to gain access to the \_\_\_\_\_ (markets in which there are good profits)
7. ...markets dominated by the \_\_\_\_\_ (banks which offer a wide range of services to the public, to companies and to other organization)
8. ... \_\_\_\_\_ 1970...(before)
9. ...couldn't accept deposits \_\_\_\_\_ the equivalent of...(more than)
10. ... granted an international \_\_\_\_\_ of 45 million dollars...(loan of money at a fixed rate of interest, involving a certificate of the dept)
11. ...and which had a \_\_\_\_\_ 50 per cent of which ... (an entire collection of loans)
12. ... and expanding worldwide \_\_\_\_\_ (arrangements with banks which act for each other)

13. ... major investments in terms of (people who work here)  
 14. ... necessary for us to be able to (increase the  
 range or extent of our operations)

### *C 4*

You are going to make a short presentation of your bank or company. Look through the list of points and decide in which order you will use them in your presentation. Then compare your order with that of a partner and discuss any differences.

- RANGE OF SERVICES
- FINANCIAL PERFORMANCE
- STRUCTURE
- SPECIALIZED PRODUCTS
- GEOGRAPHICAL REPRESENTATION

Now make a short presentation of the structure of your bank or company. Use any visual aids, such as diagrams, that will help you.

## **Section D**

### *D 1*

Quickly read the text below, which is taken from an annual report of one of the world's largest banks. Then choose the best heading from this list.

- The Year in Brief	- Financial Review
- Global Banking Resources	- Notes to the Accounts
- Foreign Location	

To service the needs of different client groups effectively, the Bank is organized into three broad groups: the Domestic Banking Group and the International Banking Group. The basis of the Bank's strength continues to be its domestic banking operations. The Domestic Banking Group's network of 295 branches provides a full range of banking services nationwide and is the largest network in the country. The Corporate Banking Group is responsible for servicing the complex needs of over 200 of the nation's largest corporations. Of the Bank's total domestic deposits and domestic loans, the Corporate Banking Group accounts for 25 per cent and 40 per cent respectively.

The Bank continues to develop and expand its international operations, and in fiscal 1991 foreign earnings surpassed those of the country's other leading banks for the fourth consecutive year. Since January 1 1990, the Bank has opened six new representative offices and has upgraded the Rome representative office into a full service branch. Our strong international presence is currently maintained through 12 branches, 18 representative offices, 2 agencies and 10 subsidiaries and affiliates.



The International Banking Group includes regional departments which assume responsibility as follows: the Americas; Africa, Middle East and Europe; Asia and Oceania. The Group includes both the Correspondent Banking Department, which is responsible for the Bank's correspondent banking network of some 1,500 institutions, and the Merchant Banking Department. Also within this group, the International Treasury Department specializes in foreign exchange and funding operations, while the International Planning Department is responsible for strategic planning. The International Business Supervision Department is responsible for the assessment of country risk and corporate credits, as well as for systems development and for ensuring compliance with regarding international business. The Bank continues to respond well to market dynamics both at home and abroad. Part of the Bank's strength lies in the wide spread of its representation and its ability to develop sophisticated new services to meet the changing patterns in banking opportunities. The Bank's aim is to ensure the continued prosperity of the group by means of its dedication to service and by expanding the scope of its activities, both geographically and functionally. We believe that we have the right organization to do this in the period ahead.

### *D 2*

Using the information in the text you have just read, complete this organization chart.

### *D 3*

Based on the information in the text, say whether the following statements are true or false.

1. The Corporate Banking Group services the needs of 1,500 of the nation's largest institution.
2. The Corporate Banking Group plays an important part in terms of the bank's domestic deposits and domestic lending.
3. 1991 was the fourth year in a row in which the bank earned more money abroad than any other bank in the country.
4. The bank has 30 branches and representative offices abroad.
5. The bank plans to increase its international operations.

### *D 4*

To end this unit, interview a partner about the organization of the bank he or she works for. Then write a description of the organization of this bank and give it to your partner to look through and comment on. If you all work for the same bank, then describe a bank you have worked for in the past or know well. You may need to have a little research!

## UNIT 2. BANK PERFORMANCE

Banks necessarily use sophisticated accounting systems to record as clearly as possible what the financial situation of the bank is. Normally such a system is based on the principle of the double entry, which means that each transaction is entered twice as a credit in one account and as a debit in another account. If we deposit \$ 100 with the bank, for example, the bank enters a debit for the receiver and a credit for the giver. The former represents an asset to the bank, since it is a sum of money at the bank's disposal, as well as liability, since it will one day have to be repaid.

The balance sheet of a bank gives us a view of its financial situation at one point in time, usually 31 December of a particular year. But we do not know what has happened between two balance sheets. This information is provided by the profit and loss account for the period in question. Neither statement is exactly uniform from the bank to bank, but both contain certain essential features. The largest asset of a bank is normally its total portfolio of loans. Deposits usually constitute the largest liability. Balance sheets usually include the following items listed as assets:

- Cash on hand and due from banks-money in vaults, balances with other banks, cheques in process of collection.
- Investments-bonds, shares, etc.
- Loans-to companies, the general public, etc.
- Fixed assets-buildings, equipment, etc.

Items listed in the balance sheet as liabilities are:

- Deposits-all money owed to depositors.
- Taxes payable-national and local.
- Dividends payable-decided on, but not yet paid.

The profits and loss account records the income of a bank, and here, typically, the items in order of size are:

- interest on loans.
- return on investments.
- fees, commissions, service charges.

The granting of credit provides the largest single source of bank income. Typically, two thirds of an American commercial bank's yearly earnings result from interest on loans. Nine of every ten dollars they lend come from depositor's funds.

The following items normally constitute the main expenses in a bank's profit and loss account, again in typical order of size:

- interest paid.
- salaries and other benefits.
- taxes.

A bank's accounting systems, then, are designed to record and present the many transactions that take place every day. Substantial reserves over and above statutory requirements are an indication to customers of the bank's strength, that it has run its business well and has retained profits in the business for future operations. Profitability indicates the effectiveness of a bank's performance and how well it has managed the resources under its control. Published figures thus provide some essential data on the liquidity, safety and income of a bank.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 2. Bank performance

In this unit we hear three different bankers presenting facts and figures concerning the recent financial performance of their banks.

### Section A

#### A 1

First read the following short newspaper reports. Then from this list choose an appropriate headline for each report.

PROFITS FORECAST	MIXED PROFITS
FALL IN PROFITS	GROWING DEBTS
LOSS REPORTED	PROFITS GROWTH

1. Harborne Investment Bank has reported a loss equivalent to USD 295,000 for the first 6 months of 1997, a figure in line with the lower first-half earnings reported by the country's other leading banks. The bank posted a USD 2.86 million profit for fiscal 1996.
2. Hogg and Lacey's Bank has announced an income of USD 58 mln. for the first half of the year, an increase of 45 per cent over the corresponding period last year. The bank has increased its interim dividend from USD 1.50 to USD 1.80 a share.
3. Northland's FA Bank group increased operating results by 20 per cent to USD 108 mln. in the first 6 months of this year. Westsund Bank, in contrast, reported a drop to USD 80.5 mln. while Quintorp Bank reported steady earnings of USD 195 mln. but a 15 per cent fall in the parent bank figure to USD 178 million.
4. Bank expects net profits in the region of CHF 33 million for the current financial year, according to Dr.Fritz Kohl, a rise of some 12 per cent. At

the end of June the bank's balance sheet was CHF 4.42 billion, compared with CHF 4.13 billion at the beginning of the year.

### A 2

Say the following numbers. There may be alternative ways of saying some of them.

1	1,200	4	37,600 000
2	560,000,000	5	1,500 672
3	5,000,000,000	6	1,500 000

### A 3

Listen again to Ed talking about his bank's performance for the previous financial year. As you do so, fill in the spaces in the extract from the annual report below.

HIGHLIGHTS		
\$ in millions, except per share data	1990	1989
For the year	.....	
Net income	.....	
Net interest income	.....	1.600
Per share		
Net income	.....	4.80
At Year-End		
Assets	.....	59.000
Deposits	.....	34.700
Investment Securities	.....	1.900
Employees	.....	13.650
Number of Offices	.....	1.150

### A 4

Look at the following list. Work with the partner and note down what you think Ed says instead of the words in brackets. Then listen to his presentation again and compare your answers with the words Ed actually uses.

1. I have here a copy of our last report presented each year, (giving details of the company's activities and financial performance during the previous financial year).
2. But I can give you right now a very (short general description...)
3. ...based on money received from the sale of the parts into which the capital of a company is divided...
4. ...and sixth largest based on (the sums of money left with the bank).

5. ...financial services to a (large number of different types of customer...)
6. ...which includes (company customers...)
7. ...and (banks in other countries with whom we have an agency relationship).
8. In 1990 we achieved (our highest ever profits after transfers to reserves...)
9. ...our (tenth year in a row of profit growth...)
10. The annual income of the group of companies after the payment of costs was 500...
11. (...at the end of 1990 the value of all the things we own...)
12. ...in (the financial year 1990...)
13. ...billion dollars worth of (placements of money, for example in shares, so as to produce profit).

## **Section B**

### *B 1*

Look at the following expressions. Put a tick (✓) by the ones you might expect to hear in a presentation relating to financial performance and a cross (x) by those you would not expect to hear. Then compare your answers with those of a partner and discuss any differences.

1. This diagram gives a very brief summary of some of the key figures.
2. Highlights from the audited financial statements as at 31 Dec. 1990.
3. If we begin with income, then, you will see that the total group income amounted to...
4. ...but what is especially significant is the increase in non-interest income.
5. We've seen the income; let's now look at the outgoings.
6. The accompanying audited financial statements were prepared in conformity with generally accepted accounting principles.
7. This increase is larger than in previous years, and is partly due to..
8. All this adds up to total group outgoings of..
9. I think I'll stop there and answer any questions.

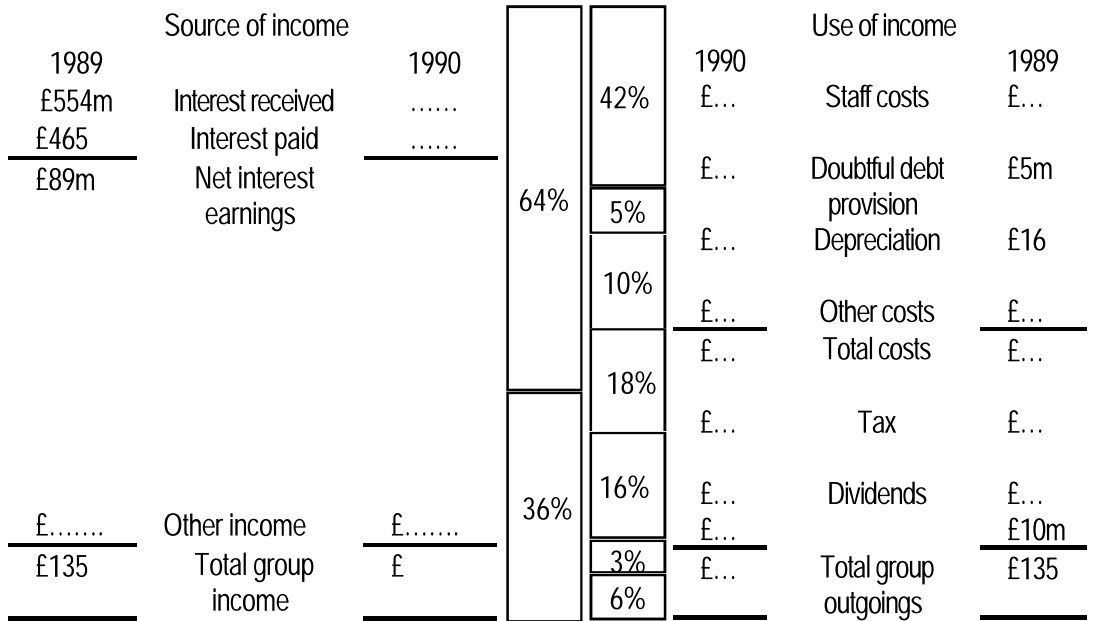
### *B 2*

You are going to hear Claire Seal, a merchant banker, giving some information about her bank to a small group of professional visitors from abroad. Before you listen to her presentation, look at these questions.

1. In this section is Claire talking about income, costs or both?
2. Is Claire giving figures with or without comment?
3. Was 1990 a good year or bad year for the bank?

**B 3**

Look at the diagram below which is a copy of the one which Claire refers to. Listen to her presentation again and fill in the blanks under the heading SOURCE OF INCOME.



Look at the diagram above which is a copy of the one which Claire refers to. Listen to her presentation again and fill in the blanks under the heading use of income.

**B 4**

Listen to the first part of the presentation again. Fill in the spaces in the sentences below with the words actually used.

This diagram gives a very..... of some of the..... relating to our performance in 1990. We'll be..... these figures again later in.....; but it may be.....at..... to present them and to.....a number of..... . If we..... income, ..... you..... that the total group income ..... to a .....of \$ 150 million, an.....of .....15 % on the.....year, a..... increase.....above that of recent years.

**B 5**

Choose the best answer.

**1. A brief summary is:**

- a) small amount of something;
- b) several numbers added together to make a total;
- c) a short report of the main points;
- d) a full report with details.

**2. Key figures are:**

- a) figures that are easy to understand;
- b) the most important figures;
- c) figures that give an answer to a problem;
- d) figures that are well-known.

**3. Trends are:**

- a) movements or directions;
- b) goals that you try to reach;
- c) events that are likely to happen;
- d) events that happen often.

**4. A record level of income is:**

- a) an amount that will never be reached again;
- b) an amount that is written down so that it will not be lost or forgotten;
- c) an amount that stays the same and doesn't go up or down;
- d) a higher amount than ever before.

**5. Net interest income is:**

- a) an amount by which the total interest received is higher than the total interest paid during the period;
- b) the amount by which the total interest received is lower than the total interest paid during the period;
- c) the total interest received by the lender;
- d) the amount earned on an investment after paying for its capital cost.

**6. Something which is especially significant is:**

- a) the only one of its kind;
- b) important and worth nothing;
- c) widely-known and accepted;
- d) the very best of its kind.

**7. Fee and commission earning activities are:**

- a) the buying and selling of currencies for profit;
- b) plans to lend money for profit;
- c) services that are sold by an agent;
- d) services for which charges can be made.

**8. A contribution to total income is:**

- a) a fixed amount of money paid at regular intervals;
- b) money that is owed or payable;
- c) an amount of money that is taken away from the total;
- d) an amount given or supplied.

**9. The economic environment is:**

- a) an area of the economy;
- b) the future of the economy;
- c) the economic situation;
- d) financial laws and regulations.

**10. The sensitivity of interest rates is:**

- a) the way in which interest rates are easily influenced or effected;
- b) the way in which interest rates affect each other;
- c) the changes in interest rates;
- d) the way in which interest rates are worked out.

**Section C****C 1**

You have heard Claire Seal talk about how much her bank earned last year. Now you are going to hear her talk how much her bank spent. As you listen to the continuation of the presentation, number the items below in the order in which Claire mentions them.

TAX	
PROVISIONS FOR DOUBTFUL DEBTS	
OTHER EXPENCES	
STAFF COSTS	
DIVIDENDS	

**C 2**

Look again at the charter in B 3. Listen to the continuation of the presentation and fill in the blanks under USE OF INCOME.

**C 3**

Look at the following extracts from this part of the presentation. Work with the partner and note down what you think Claire says instead of the underlined words. Then listen to the presentation again and compare your answers with the words that she actually uses.

1. ...let's now look at the.....amount of money spent.
2. The largest of this is.....money involved in paying employee
3. ...to handle the expansion of the bank's.....services for which charges can be made
4. ....increased to 8 mln. pounds...money put aside to cover possible credit losses.
5. ....the decline in value of property which is hired and on.....and equipment...buildings and the land on which they stand



6. Other.....increased by...money spent on the running of the bank.
7. ...the smallest.....increase...yearly
8. ....remained unchanged...the part of the company's profits which is paid to shareholders
9. ...as the major part of the year's profit was..... kept by the company and not paid to shareholders
10. Our balance sheet.....totals
11. After.....of the dividends...setting aside money for
12. ...there remained a net..... amount of money kept by the company and not paid to shareholders
13. ...9 million pounds, which was..... moved over to funds put aside to cover unexpected events

### C 4

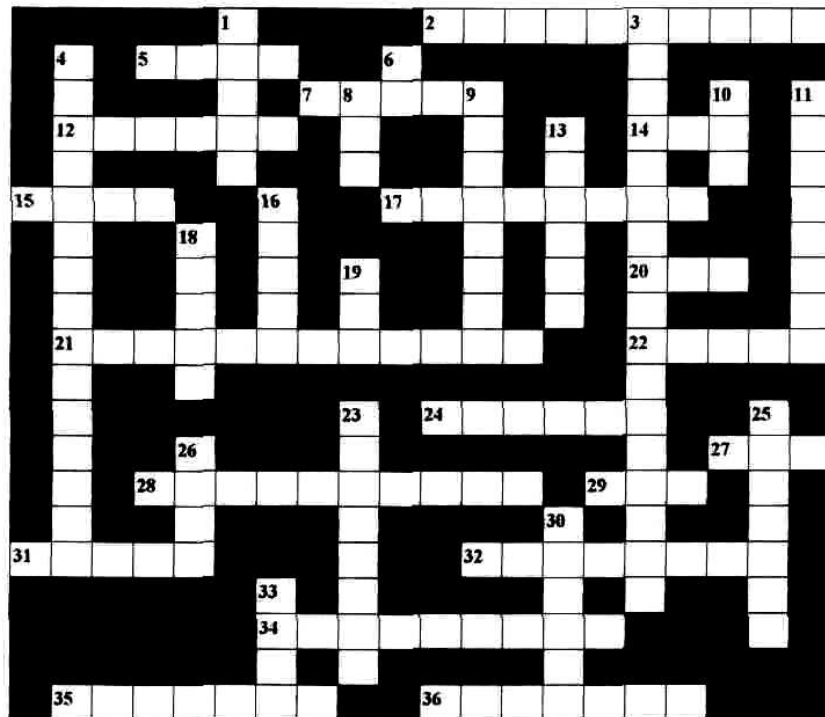
What factors are important for the financial success of a bank operating internationally? Look through the list of factors below and when you have decided on their relative order of importance, write the number of your choice in column A. Number 1 should show the factor which you consider most important and number 9 the least. You will be told how to fill in column B.

	<b>A</b>	<b>B</b>
Use of advanced technology		
Strong national economy		
Skilled and efficient staff		
Wide range of high quality products		
Broad network of correspondent banks		
Good management		
Wide geographical spread of local representation		
Good market reputation		
Established and diverse customer base		

## Section D

### D 1

Most of the words in the crossword puzzle are used in Units 1 and 2.



### ACROSS

2. Company in which another company owns more than half the shares. (10)
5. Opposite of profit. (4)
7. Periodic examination of financial records. (5)
12. The joining of 2 or more companies into one. (6)
14. Not the Source of Income, but the ... of Income. (3)
15. A sum of money owed. (4)
17. Buildings and land on which they stand. (8)
20. Money paid to the government on income. (3)
21. Report detailing a company's activities in the past financial year.(6,6)
22. Interest ...(levels). (5)
24. Not private. (6)
27. After costs and other deductions. (3)
28. Payment as an agreed percentage of price. (10)
29. Very important (figures, etc.). (3)
31. Movement or development. (5)
32. Profits after transfers to reserves. (8)
34. Money overdrawn on a bank account, to an agreed limit. (9)
35. Hiring something to a user, instead of selling it. (7)
36. The total obtained from adding up a column of figures. (7)

**DOWN**

1. Something which you own, which can be used to pay a debt. (5)
3. A method of financing international trade. (11,6)
4. Short-term documents normally sold by big US corporations. (10,5)
6. Certificate of deposit. (2)
8. US dollar. (3)
9. The buying of majority of shares in a company. (8)
10. "Earnings ... share." (3)
11. Money spent on running a company. (8)
13. Customer. (6)
16. The whole amount, added up. (5)
18. Several companies joined together, owned by one company. (5)
19. Charge made for service. (3)
23. Money put aside in case anything unexpected happens. (8)
25. Sum of money left with the bank. (7)
26. Document promising to pay a sum of money at a specified time. (4)
30. Differences between income and outgoings. (6)
33. A sum of money lent. (4)

### **UNIT 3. FOREIGN EXCHANGE**

Foreign exchange dealing is the exchange of the currency of one country for the currency of another. The rate of exchange is the value of one unit of the foreign currency expressed in the other currency concerned. With the growth of global trade, many companies need foreign currency to pay producers in other countries. A British company with the supplier in Germany, for example, will probably use sterling to buy Deutschmarks from its bank in order to pay an invoice from the German company. The bank buys the Deutschmarks from another bank at a particular rate and provides them to its customer at a higher rate, thus making a profit. Similarly, a bank may make gains on buying and selling currencies on the inter-bank market. Currencies can be bought or sold in the foreign exchange market either for immediate delivery, that is at a spot rate, or for delivery later (e.g. two weeks, three months, etc.) at a forward rate. The forward market is useful for companies, since if a company knows that it will need a particular foreign currency to pay a bill in four weeks' time, for example, a forward deal enables it to protect itself against future adverse movements in the exchange rate which would have otherwise had the effect of making the foreign goods more expensive. When dealing in foreign exchange, normally by telephone, the bank quotes both the selling and buying rate of currency at which it is prepared to transact business. Settlement for a spot transaction is two working days later. Thus, if a contract is made on Monday, the seller delivers the amount sold and receives payment on Wednesday. Similarly if the contract is made on Tuesday, value is Thursday.

Currency traded in this way is delivered to the buyer's account with a bank in the main centre, or one of the main centres, for the currency in question. In the case of sterling, for example, this is London, for Dutch guilders it is Amsterdam and Rotterdam, and for Belgian francs it is Brussels and Antwerpen. The buyer decides where his or her account is to be credited.

The foreign exchange dealer fills in a dealing slip containing basic information such as the date and the time of the deal, the contracting party, the amount and rate agreed on, the date of settlement, and the place of delivery of the currency dealt in. As soon as a foreign exchange transaction has been carried out, both banks send a written confirmation containing the basic information mentioned above. Any discrepancies may thus be detected quickly.

A bank holding debts or claims in a foreign currency is itself exposed to an exchange risk, unless the debts and claims neutralize each other by being of equal

size and by having roughly the same maturity dates. Dealers therefore aim for a balanced total position. If the amount of a bank's claims in dollars, for example, is larger than the total debts in dollars, then the bank has a long position, but if the debts are larger than the claims, the bank is short in dollars. As long as the total position balances, there is no risk for the bank.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 3. Foreign exchange

Foreign exchange dealing plays an important part in the activities of many banks. In this unit we hear Alan King, the Chief Dealer in London merchant bank, explain some of the basic principles of foreign exchange dealing. Then we hear him at work on the telephone making two deals.

### Section A

#### A 1

Look through the following list of currency code next to the country to which it relates in the grid below.

SEK	DEM	CHF	BEF	CAD	USD	GBP	ITL
NLG	NOK	DKK	FRF	JPY	AUD	ESP	

Currency code	Country	currency code	country
	Holland		Norway
	Belgium		Sweden
	Gr. Br		Denmark
	Australia		Switzerland
	Italy		Germany
	USA		France
	Canada		Spain
	Japan		

#### A 2

Listen to Alan King explain some of the basic principles of foreign exchange dealing and tick (✓) those items which he talks about.

1. Currency codes.
2. Some terms used in foreign exchange dealing.
3. Some basic principles of foreign exchange dealing.
4. A big deal he did last week.

### A 3

Listen to the conversation again. As you do so, note down whether the following statements are true or false.

1. Most of Alan's dealings are based on sterling.
2. The previous day, dollar rates had risen by between 16 to 8 / of %.
3. A tom / next means from tomorrow to next week.
4. When someone asks 'What is your spot dollar mark outright tomorrow?' Alan quotes them a spot rate.
5. A swap involves borrowing one currency and lending another.
6. An outright is connected to a corresponding spot transaction.
7. This conversation took place in the month of October.

### A 4

Listen to Alan again and write down the words that he actually uses in place of the underlined words.

1. We're accounted in British pounds.
2. So, for instance, your prices for funds which will be exchanged two working days later are dollar Deutschmark....
3. I mean, for instance, yesterday the dollar rates increased slightly...
4. So people buy dollars because the difference in interest rates between dollars and Deutschmark is increasing.
5. You're short of Deutschmark that day and you have to buy, borrow those for one day....
6. That is the basis of making a result where the income is higher than the costs.
7. Well, to make totals equal, to balance the account for that day.
8. ...and find that on the 17th that I am in a position where I have sold more Deutschmarks than I have bought, and bought more dollars than I have sold.
9. Then you have spot a week, a period of two weeks beginning two working days from now.
10. We also have deals where someone buys one currency and sells another on any particular day.
11. It's just that you're stating the price that you will charge for a spot rate...
12. ...depending what the price is for the tom / next exchange of one currency for another, for a certain period of time.
13. ...so that the relationship between the two currencies fixes, decides the forward pricing.
14. ...so they cover foreign exchange risk or possibility of loss by buying Deutschmarks...

## A 5

It is sometimes difficult to hear words which are unstressed in spoken English. Look through the text below, which is taken from the first part of the conversation, and say what you think the missing unstressed words are. Then listen again to this part of the conversation. As you do so, write in the missing words. Then compare your answers with those of partner.

.....accounted.....sterling, but generally all dealings.....based.....the dollar. So,.....instance, .....spot prices....dollar Deutschmark, OK? .....the big market really, dollar Deutschmark. And.....the movement in.....dollar which is really moving.....market. I mean,.....instance, yesterday, the dollar rates firmed up..... little. They went up about.....sixteen to.....eighth of.....per cent. So people buy dollars.....the interest differential between dollars.....Deutschmarks is widening. So.....mean, if you buy dollars, OK, you,.....lend them out.....next day.....say eleven and.....half per cent.....short.....Deutschmarks that day, and you have.....purchase, borrow those....one day, and that's about five.....half per cent. So.....talking about six per cent difference. The basic idea.....spot dealing is to buy dollars low.....sell high. That's the basis.....making.....profit.

## Section B

### B 1

Before you listen to a telephone talk, look at the expressions. Put a tick (✓) by the ones you might expect to hear in a telephone conversation concerning a foreign exchange deal and cross (x) by those that you would not expect to hear. Then compare your answers with those of a partner and discuss any differences.

1. In order to confirm the arrangements we made by telephone today, here are the terms and dates on which we agreed.
2. I'm fine thanks. How are you?
3. OK. Just let me get the two week price for you.
4. Hold on for a moment.
5. I can give you two dollars outright.
6. Please advise at 11.00 a.m. on the above date is convenient.
7. Why the dollar will rise again?
8. Nice to hear from you.

9. Just a second.
10. I sold you two million dollars against D mark.
11. Further to our recent telephone conversation, I am enclosing a copy of our tariffs, as requested.
12. Thanks a lot for the deal.

### *B 2*

Alan King is calling Tove Strutz, the Cash Manager of a large Scandinavian insurance company. Listen to their conversation and answer these questions.

1. What time of the year does the conversation take place?
2. In this deal does Alan buy Deutschmarks from Tove or sell them to her?

### *B 3*

Look at the following expressions. Then listen to the telephone conversation again and write down the words of expressions that are used to mean the following:

1. Actually.
2. Meet each other.
3. Telephone me.
4. State our prices.
5. The price for a currency two working days from now.
6. The price for a currency two working days from now which one bank charges another bank.
7. An exchange rate of Swedish kroner against dollars.
8. The front surface of a computer or terminal on which information is shown.
9. Thousandth of a percentage point.
10. Wait a moment.
11. Available in your account on (date).
12. I agree that we have made a deal.
13. Pay the funds into.
14. Pay the corresponding funds into.

### *B 4*

You are going to hear eight sentences which you might hear in a telephone conversation. Respond to them with one of the sentences shown below.



- A. OK. Thanks for calling. Bye now.
- B. Yes, that would be nice.
- C. Fine thanks. And you?
- D. Yes, OK. In a couple of weeks, then.
- E. Let me think. As a matter of fact there is, yes.
- F. Very well, thanks.
- G. Yes, that's fine.
- H. For how much?

Note that not all of these responses actually occur in the section. Some are alternatives which could have been used instead of what was said.

### *B 5*

The speakers in this unit all use numbers fluently in their everyday work. But it can sometimes be difficult to know how to say things which we often see written. How would you say the following

$1/8 + 3/32$	7.3980
3/16%	$2.6028 - 0.0037 = 2.5991$
$5 \frac{3}{4}\%$	$500.000 \times 10.64 = 5.320\ 000$
600.541	$240: 2 \frac{1}{2} = 96$
2.000.000 dollars	$12 \frac{1}{4} + 21 \frac{2}{3} = 33 \frac{11}{12}$

## **Section C**

### *C 1*

1. What is your opinion, are the essentials for a successful telephone call?
2. What sometimes goes wrong in telephone calls?

### *C 2*

Now listen to Alan King receiving a call from Jan Ackerman, a dealer in the Foreign Exchange department of Dutch Bank, and answer these questions.

1. Is this the first time Alan has talked to Jan?
2. Do they deal dollar / Deutschmark, dollar / pound, or dollar / yen?
3. Is it a big deal or a small deal?

## C 3

In quoting rates, note that Alan often specifies only the pips, that is the third and fourth decimal places of the exchange rate. Also, because he doesn't know whether Jan wants to buy or to sell dollars, he quotes a spread of rates, that is both the rates at which his bank will buy and sell dollars. Now, listen carefully to the telephone conversation again and write in below each of the four rates which are quoted.

Spot rate	Buy \$ .....DEM	Sell \$ .....DEM
Two weeks' Swap rate:	Big rate The bank's lending rate .....DEM	Offer rate The bank's borrowing rate .....DEM

## C 4

Listen to the telephone conversation again. As you do so, fill in Jan's settlement form

<b>VAN ZEAHALM BANK / 10 7 AK AMSTERDAM</b>	
DATE:	TO:
WE CONFIRM HAVING BOUGHT FROM YOU: CURRENCY:	PURCHASE AMOUNT:
FOR PAYMENT TO OUR RECEIVING AGENTS:	
WE CONFIRM HAVING SOLD TO YOU: CURRENCY:	SALE AMOUNT:
FOR PAYMENT TO YOUR RECEIVING AGENTS:	
EXCHANGE RATE:	VALUE DATE:

## C 5

Look at the following extracts. Listen to the telephone conversation again and write down in the spaces provided the words that Alan and Jan actually use, instead of the underlined words.

1. Good, what's....., please? (the exchange rate for dollars against Deutschmarks)
2. I have probably a small interest in two weeks,.....(lending one currency and borrowing another for a fixed period of time)
3. OK,.....(wait a moment). For two weeks.....? (beginning two working days from now)
4. Less than a.....? (million dollars)
5. Can you give me.....? (the exchange rate that will actually be used for funds exchanged two working days from now)
6. OK, I can.....(sell you half a million dollars in exchange for Deutschmarks)
7. So two fifty-nine ninety-one is the outright. ....will be the... (the date on which our money is available in your account and your money is available in our account)

8. Just a second, I've lost my..... (chart or table showing days, months and dates).
9. .... Thank you very much, Jan. (We have agreed on the sale and purchase of half a million dollars.)

### C 6

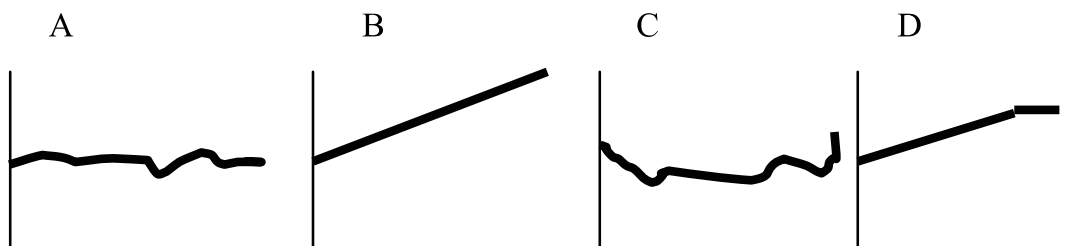
A dealer of Bank telephones the Cash Manager at Company C to check on the company's currency needs. Work in pairs, one person being the dealer and the other the Cash Manager. See if you can reach a deal.

Instruction for Dealer Bank B: The US dollar has been steady for a couple of days. The dollar / Deutschmark interbank rate is 1.9055 (buy) and 1.9060 (sell). You believe, however, that the dollar will rise during the day, probably by pfenning or so.

Instruction for Manager, Company C: You are almost sure that your company will need to buy USD 1 million later today, spot, with Deutschmarks. The dollar has been steady all this week, and at present you know the dollar / Deutschmark rate to be around 1.9055.

### D 1

Read the following report about currency rates and then look at the graphs below which show the movement of the four currencies during the week in question. Which graph shows which currency?



### REPORT

In a quiet week, the US dollar continued to upward course, again trading at nearly three Deutschmarks. The dollar was supported by commercial demand, as normal interbank trading declined and the market's major operators began squaring their positions for the year-end. The forecast of lower US interest rates and of a cut in the Federal Reserve discount rate didn't lead to any downturn in the US currency and the dollar closed at DM 2.9925. The Deutschmark was hardly changed, moving in a narrow range in lack-luster trading in Frankfurt. There was no central bank intervention to weaken the dollar against the mark. Trading volumes were low as the markets decline towards the end of the year. Sterling has been volatile lately, due to its status as a petrocurrency, and at the beginning of the week it fell against the dollar and other major currencies, as North Sea oil prices

eased on the European spot market. Friday saw a slight recovery, however, due to the covering of short positions, and at close of trading the pound stood at USD 1.3016. Falls in oil prices have opposite effects on the pound and the yen, as Japan needs to import nearly all its considerable energy requirements. This has meant that the yen has continued its steady climb, leveling slightly towards the end of the week. Against the dollar it has remained little changed since mid-January, but the yen has outperformed European currencies for most of the year. Sterling started the year at around JPY 325, touching a peak of JPY 344 on May 14. It closed on Friday at JPY 337.

### *D 2*

Now read the report again and then complete the information below to show the latest currency rates mentioned.

USD 1 = .....

GBP 1 = .....

GBP 1 = .....

### *D 3*

On the basis of the information in the report above, say whether the following statements are true or false.

1. The report was written in mid-January.
2. The dollar firmed up against the Deutschmark during the week.
3. Big banks were more interested in balancing their currency positions than in normal trading.
4. Possible changes in the US interest rates and the discount rate didn't affect the dollar rates.
5. The Deutschmark was traded in large amounts in Frankfurt.
6. The exchange rates of the British pound have changed quickly recently.
7. Banks were dealing in sterling on Friday in order to square their currency positions.
8. Falls in oil prices mean that the yen rates go up.
9. The yen rate against the dollar has been roughly the same for eleven months.
10. It is possible to buy more yen with Swiss francs now than it was earlier in the year.

## UNIT 4. MEETINGS

Banks provide a wide variety of services to companies, and a company operating internationally is likely to use several banks around the world to meet its various needs. Banks keep in touch with these customers by telephone and perhaps with regular meetings, to maintain the relationship and to market new services. Many companies use banks at one time or another to finance their operations. As with any other type of loan, bank charge interest on corporate loans. Interest rates for loans in Britain, for example, can be charged in one of three ways:

- \* at a margin above the bank's base rate. Each bank decides its own base rate, and then charges the company a rate of interest which is related to this. A big customer with a very good reputation may be charged the bank's rate plus 0.5%, for example, while a smaller company might be charged the base rate plus 3%.

- \* at a margin above LIBOR, the margin again depends on the bank's assessment of a corporate customer.

- \* at a fixed rate of interest for the period of the loan. The first two ways are variable and are adjusted periodically to reflect movements in interest rates on the market. They may also be negotiable. The third may be dangerous for the bank when market rates are erratic.

A company involved in a business where income and expenditure are subject to constant changes needs a variable borrowing facility. This is met most simply by an overdraft facility. The company opens an account with the bank, and an overdraft with a specified limit is granted on the account. A standby letter of credit is a commitment under which a bank agrees to provide funds to a customer where, unlike most other forms of documentary credits, no goods are involved. The standby letter of credit is a flexible form of lending and can cover a variety of situations, in which procedures are reduced to a statement of the documents to be received before payment is made for the third party. Many companies make a profit not only from the goods or services which they sell, but also from the money that they have. Cash managers utilize funds at their disposal, buying and selling shares, treasury bills and so on, to generate profit in the form of investment income. Rather than move valuable foreign shares and securities around the world by post, a company will deposit them for safe keeping with the bank in the foreign country. A company in Sweden which buys shares on the American market, for example, will use the custodian services of a US bank. Banks naturally charge fees and/or commissions for custodian services.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 4. Meeting

In this unit we will hear extracts from two separate meetings. The first meeting is between a company treasurer and the area representative of an American bank. In the second meeting we will hear the same company treasurer; this time negotiating with a banker from the United Kingdom.

### Section A

#### A 1

Before you listen to the extract from the first meeting, look at the following expressions. Put a tick (✓) by the ones you might expect to hear in business meeting and a cross (x) by those you would not expect to hear. Then compare your answers with those of a partner and discuss any differences. Where would you expect to see or hear those you marked with a cross?

1. One of the points you mentioned in your letter was...
2. I'm sure we can help you there.
3. Notice is hereby given that the rate of interest for the next interest period has been fixed at 9% per annum.
4. Could we take up the question of ...?
5. Perhaps you could consider reducing that?
6. Senior financial managers consult Walters Bank. Shouldn't you?
7. What kind of reduction did you have in mind?
8. I enclose a copy for your information of the minutes of the meeting held on 23 May 1991.
9. I take your point.
10. OK, I've made a note of it.
11. Applications must be made on the form attached hereto.
12. We'll get back to you within a couple of weeks or so.

#### A 2

You are going to hear Diane Francis, who is an assistant Vice-President at the London branch of an American bank, in conversation with Ulf Edberg, the treasurer of Denavian International Insurance. After the meeting, Diane wrote a report on it for her boss. Here, however, the report is not complete. Listen to the conversation and fill in the gaps.

Meeting held on.....

Location: Denavian Insurance Company, Stockholm

Present: Ulf Edberg (Treasurer, Denavian) – self

Agenda: 1. Letters of Credit Facility

Client is not yet sure about company requirements for..... . Expressed worry, however, over..... and estimates that this will cost Denavian..... Client pointed out that the countervalue..... . is deposited with us. Currently pays 0.25 % for ..... but changes will mean ..... Requested that we look into..... . Volume of letters of credit likely to ..... I promised to .....

### A 3

Listen to the conversation again and write down in the spaces provided the words that Ulf and Diane actually use instead of the underlined words.

1. One of the points you.....(referred to or specified) in your letter was our.....letter of credit facility...(present)
2. ...due to the change in..... (the law of the US)
3. ...I just wonder if we could.....(look into) alternatives to the..... . (flexible agreement to provide funds to a third party)
4. ...at least 0.75 of a per cent per annum..... (fixed, without variation).
5. That's on the.....of letters of credit? (total amount that is owed)
6. ...what do you call it? – .....with our own securities...(an arrangement by which money and other assets are controlled for our advantage)
7. But I'm sure we will..... the volume of letters of credit...(reduce and make smaller)
8. ...trust funds are something in which we can offer you.....(a lot of experience, skill and know-how)
9. I'll go away, give the matter a lot of thought, and give you our.....  
.....next month. (preliminary main suggestions)

### A 4

Each of these phrases from the conversation fulfils a particular purpose. Match the items with the definitions.

1. One of the points you mentioned in your letter was	<b>A</b> Agreeing that something is correct
2. But I'm worried by the increase in your commissions	<b>B</b> Referring to something stated in writing.
3. As we discussed last time...	<b>C</b> Saying that a course of action is certain.
4. I just wonder if we could explore alternatives to...	<b>D</b> Trying to find the right words.
5. I guess we have...	<b>E</b> Saying that you think what you are going to say is correct.
6. Right	<b>F</b> Expressing concern about charges.
7. ...a - what do you call it?	<b>G</b> Suggesting that something acceptable.
8. I think that could be an acceptable alternative	<b>H</b> Agreeing that something is acceptable.
9. But I'm sure we will decrease the volume...	<b>I</b> Referring to a previous discussion
10. So you'd prefer trust fund ...	<b>J</b> Suggesting an alternative.
11. Fine.	<b>K</b> Checking that you have understood

**A 5**

Work in pairs. One person takes the role of Diane, representing the bank and the other takes the role of Ulf, representing the company. Briefly discuss the letter of credit facility offered by the bank to the company. Try to reproduce roughly what Ulf and Diane said.

**Section B****B 1**

Read this letter which concerns the meeting that you will hear in Section B and C. Here the last paragraph has been left out. Decide which of the alternatives below is the most suitable last paragraph for the letter. Then compare your answer with that of a partner.

Wallers Bank plc  
111 35 Stockholm  
Sweden

6 September 2001

Dear Ulf,

I understand that Mark Grey and I have an appointment to see you at 9 a.m. on Tuesday, 24 September, at your offices. We very much appreciate this opportunity and look forward to the meeting. I thought it would be a good idea to write outlining the topics which we see as being of mutual interest and which we would like to cover during our visit. Principally, these are the following:

- Our current multi-currency overdraft facility and your company's requirements for 2002.
- Cash management needs of the company and the bank's capabilities in this area.
- Long-term funding requirements.
- UK and North American subsidiaries' requirements.
- Country risk study.

(Last paragraph missing)

Yours sincerely,

Clive Bond

Director

Commercial Banking Division



**Choices for the last paragraph:**

1. I hope to see you again soon to discuss further points of co-operation. In the meantime, if you have any questions or if I can be of any assistance, please do not hesitate to contact me directly	2. Naturally this list is not exhaustive and if there are any additional topics on which you particularly desire information on the bank's viewpoint, perhaps you would let me know by letter or telex.	3. I plan to be in Stockholm toward the latter part of September and would be delighted to meet with you again to discuss these matters further, if it is convenient for you
---	---	--

Discuss why the other two alternatives are impossible.

**B 2**

Listen to the first part of the meeting between Ulf Edberg and Clive Bond. Then answer these questions.

1. What banking service do Ulf and Clive discuss?
2. What is Ulf's opinion of the charge made for this service?
3. What does Clive promise to do?

**C 1**

Look at the words in the box, all of which are from the Section B. Check any words that you do not know with the partner. Then, working together, match the words with the correct definition from the list below.

confirm	overdraft facility	mark - up
credit rating	review	margin
overnight rate	LIBOR	quite frankly
credit committee		

1. A banking service providing for borrowing on current account up to an agreed maximum limit.
2. The rate of interest charged for a loan at call from one day to another.
3. The gross profit margin or an increase in price.
4. Honestly and directly, without wishing to hide anything.
5. London Inter-Bank Offered Rate, the rate of interest between London banks on some deposits.
6. The relation between profit and selling price.
7. A group of bank staff who control the lending of the bank.
8. A formal and detailed examination of the financial strength to a company.
9. To look at or examine again.
10. To give agreement.

## C 2

Listen to the second part of the meeting between Ulf and Clive.

1. What does Ulf want?
2. What does Clive agree to do?
3. What is Ulf's view of his company's relationship with the bank?

## C 3

Listen to the discussion again and write down in the spaces provided the words that Ulf and Clive actually use instead of the underlined words.

1. I see that we've got .....(the bank's services for the safe keeping of our securities) on the..... . (list of business to be discussed)
2. ...we've checked up on the charges for this, and really it comes to.. ..... (a very large sum)
3. So now we have started to..... with the different banks... (discuss and try to come to an agreement)
4. ...we pay 200 pounds per fixed rate..... ..(business deal involving investments such as stocks, shares and bonds)
5. ...and 50 pounds per .....(ordinary shares deal), plus a ..... . (fixed sum for services)
6. ...that would cost us the .....of one million Swedish kronor ...(same amount as)
7. So in that case your.....seem out of line ... (charges for certain services)
8. Yes, not all of that 8 billion is with us of course, but I ..... (see what you mean)
9. ...., I was interested in... (in general)
10. ...everything can usually be.....over the phone. (discussed and put right)
11. Otherwise, no..... . (negative statements expressing dissatisfaction)

## C 4

Here are Clive's incomplete notes of his meeting with Ulf. Listen to the conversation again and complete the notes.

Client raised the question of the.....Says that 1% over.....is too expensive. Wants us to reduce our margin to..... . Stated that with Key Commercial, Denavian pays only..... . Client pointed out that in a recent credit rating Denavian was rated... .....for short-term debt and.....was rated..... . I promised to.....I feel that if we do not reduce our margin, it is very unlikely that.....

---

*C 5*

Which of the qualities listed below do you think are most important for someone to be successful in negotiations? Put them in order of importance, And then compare your ideas with those of a partner.

- FLEXIBILITY
- CALMNESS AND SELF – CONTROL
- FRIENDLINESS
- ABILITY TO ANALYSE THE SITUATION
- RELIABILITY
- WELL PREPARED WITH INFORMATION
- ABILITY TO COMMUNICATE
- OTHER (Please specify)

*C 6*

Read the following information.

Bank B provides services for Company C. Principally, these are as follows

1. Standby letter on credit. The charge is  $\frac{3}{4}$  % on the outstanding volume. The average outstanding volume last year was 400 000 pounds.
2. Overdraft facility, with a limit of 2 million pounds. The charge is Bank B's base rate (10 %) plus  $\frac{3}{4}$  %. The average overdrawn amount last year was 500 000 pounds
3. Custodian services. Company C pays 50 pounds per equity transaction. Last year here were 550 such transactions.

Work in pairs, one person representing Bank B and the other representing Company C. You both have instructions.

**BANK B**

You have some news for your customer: your bank's base rate is being increased by  $\frac{1}{2}$ % next week to  $10\frac{1}{2}$ %. Your margins in general are about right – you could afford to decrease them a little, but not by too much.

**COMPANY C**

Your company is becoming very cost conscious. You have been through Bank B's charges with your boss, and he wants you to reduce them overall by at least 10 %. See what you can do.

## Section D

### D 1

Clive sent the letter to Ulf soon after their meeting. The last paragraph has been left out. Decide which of the alternatives is the most suitable for this letter. Then compare your answers with that of a partner. Discuss your choices, if they are different.

**Wallers Bank plc.**

111 35 Stockholm  
Sweden

2 October 1991

Dear Ulf,

Although Mark Grey is currently on business trip to the Middle East, he certainly joins me in thanking you and Carola for what was not only a most enjoyable but also a very informative and useful meeting during our recent visit to Stockholm. Thank you also for the excellent dinner which you provided. It is always a pleasure visiting Stockholm and I hope that when you are next in London you will allow us to return your hospitality.

(Last paragraph missing)

With best wishes,

Yours sincerely,

Clive Bond

**Choices for last paragraph:**

1. In addition to the material enclosed, we will send you shortly information on trust funds, with the comparison of costs between trust funds and standby letters of credit	2. We hope that our meeting will serve to strengthen our relationship with Denavian. We are giving serious thought to all the issues you raised and can assure you that the needs of Denavian will be well attended to.	3. We are following up on the several matters discussed which require action and I will be writing to you more fully in due course. Meanwhile, thank you once again for your generous time and the very enjoyable dinner.
--	---	---

### D 2

Look at the document which refers to the overdraft facility discussed by Ulf and Clive in Section B. Then answer these questions.

1. Place a tick (✓) next to those currencies which are available under the terms of this facility.
  - a) Japanese yen
  - b) Swiss franc
  - c) British pound

- d) Deutschmark
- e) Polish zloty
- 2. When and for what periods will Denavian pay any interest charges due under this facility?
- 3. How will Denavian pay any such interest charges?
- 4. What must Denavian obtain in order to be able to use this facility?
- 5. What legal system applies to the agreement?
- 6. For how long is the facility available?
- 7. Who has to sign the agreement on behalf of Denavian?

**Wallers Bank plc.**

111 35 Stockholm  
Sweden

14 May 1991

For the attention of Mr. Ulf Edberg

Dear Sirs,

Multi – currency (except sterling) Overdraft Facility fo USD 10 000 000 00

Further to your letter of 20 April 1991, we are pleased to advise you that that we are willing to place the above – mentioned facility at your disposal on the following terms and conditions:

Limit: Up to USD 10 000 000 00. (say ten million US dollars) or equivalent outstanding at any other time.

Purpose: To provide working capital.

Availability: Drawing may be made in major currencies (subject to availability), except sterling.

Charges: Interest will be charged at the rate of 1% over Wallers' Base Rate. Such interest will be calculated on a day to day basis and debited to your account quarterly in arrears at the end of March, June, September and December.

Exchange Control: This facility is granted subject to the approval of the Central Bank of Sweden.

Jurisdiction clause: This facility letter shall be governed and interpreted in all respects in accordance with English law and you accordingly submit to the jurisdiction of the High Court of Justice, London. It will be open to us to enforce repayment in the Courts of any competent jurisdiction.

Validity: This facility is available until further notice, but is subject to review by us not later than 14 October 1991.

Please signify your acceptance of these terms and conditions at your earliest convenience, by signing the attached copy of this letter in accordance with your

Authorised Signiture list and returning it to us. Please enclose the relevant approval from the Central Bank of Sweden.

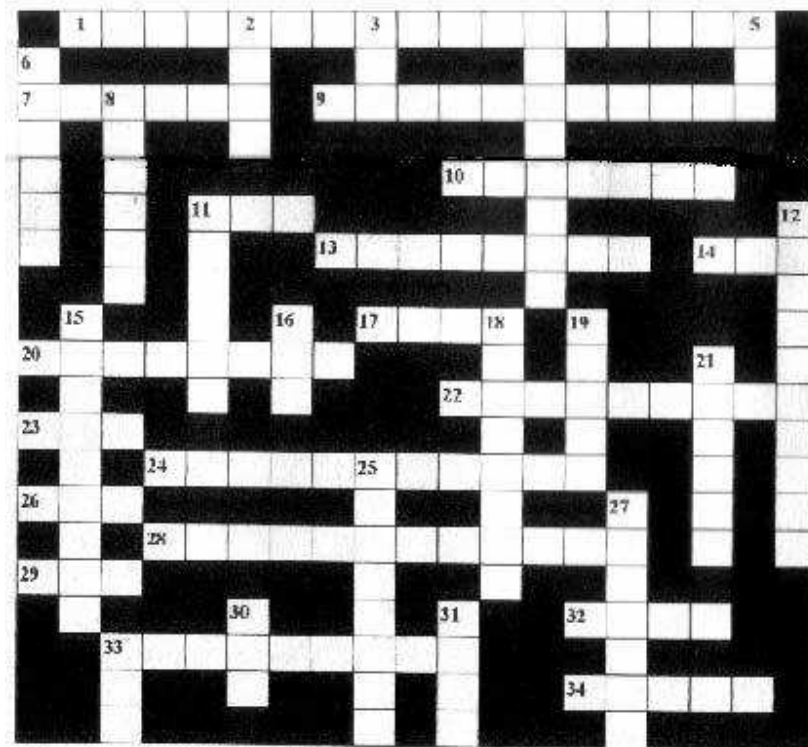
Yours faithfully,  
For and on behalf of Wallers Bank Ltd

We accept the terms and conditions specified above. For and on behalf of De-navian International Insurance Company Ltd

Signed.....

Date.....

### D 3



Most of words are used in Units 3 and 4.

#### ACROSS

1. A service for borrowing on current account up to an agreed limit (9,8)
7. Relation between profit and selling price (6)
9. Laws. (11)
10. Give agreement. (7)
11. Public limited company. (3)
13. Buy. (8)

- 
14. US dollar. (3)
  17. Exchange one currency for another for an agreed period. (4)
  20. Deal where you buy one currency and sell another. (8)
  22. Fourteen days. (9)
  23. French franc. (3)
  24. Charges as an agreed percentage of price or volume. (11)
  26. Belgian franc. (3)
  28. Same value. (7,5)
  29. Dutch guilder. (3)
  32. Thousandths of percentage point. (4)
  33. Price for funds which can be exchanged two working days later. (4,5)
  34. Conditions of an agreement. (5)

**DOWN**

2. "I agree we have just made a deal." (4)
3. Charge made for a service. (3)
4. Chart or table showing days, months and dates. (8)
5. Japanese currency unit. (3)
6. Sum. (6)
8. Look at or examine again. (6)
11. Difference between income and outgoings. (6)
12. A change, to make something more suitable. (10)
15. Happening every three months. (9)
16. Swiss franc. (3)
18. Suggestion. (8)
19. Exchange...are the values of currencies in relation to each. (5)
21. List of business to be discussed. (6)
25. Name given to the British pound. (8)
27. Charged and deducted. (7)
30. Italian lire. (3)
31. Naught. (4)
33. Swedish krona. (3)

## UNIT 5. A PRESENTATION

Companies trading internationally are exposed to considerable foreign exchange risk. If, for example, a French company knows that it will need \$ 2 million in three months' time to pay for imports from the USA, it can buy the dollars forward, i.e. at a rate specified now, thus eliminating the risk of an adverse movement in the exchange rate between the French franc and the US dollar. Unfortunately, buying dollars forward also eliminates the possibility of a favourable movement in exchange rates. Alternatively, the company could wait three months and then buy the dollars at the spot rate, i.e. the rate charged then for funds to be delivered two working days after the transaction. This way the company can get a better exchange rate but it also runs a risk, since the rate could be worse. Essentially, either course of action involves a calculated gamble on exchange rates.

To meet this situation, some banks develop and began to offer currency options in early 1980s. Under the currency option, a customer pays a premium which gives them the right to demand purchase or sale of a specified currency at an agreed exchange rate up to an agreed date, but no obligation to do so. After the customer pays the premium, the bank sends out confirmation of the deal. If the exchange rate in three months' time, or whenever the expiration date is, is better than the one the customer has agreed on, they do not use the option, and instead deal at the market rate when they need to. Their cost has only been the premium for the option. Alternatively, if the rate is worse than the one they have agreed upon, they exercise the option, and thus suffer no loss due to the fall in the exchange rates. The customer may exercise the option at any time up to and including the expiration date, for value spot. This, then, is the basic idea of the currency option.

**TASK:** Read, translate and discuss the text with your groupmates



## Unit 5. A Presentation

In this unit you will hear three parts of a presentation about currency options by John Morley. He is Executive Director of the foreign exchange division of a London merchant bank and is making his presentation to a group of cash managers and treasurers from different corporate clients.

### Section A

#### A1

Choose the five steps which you think are the most important for the making of successful presentation and discuss your choices.

1. Set the objective of the presentation.
2. Research the topic.
3. Analyze the needs of the audience.
4. Formulate a clear introduction.
5. Select information which the audience needs on the topic.
6. Review the advantages and finish with the clear closing statement.
7. Provide time for audience questions.
8. Include language techniques to help direct the attention of the audience.
9. Prepare visual aids.
10. Practise the entire presentation.

#### A 2

Listen to the first part of the presentation. Put a tick (✓) where it concerns currency options and a cross (x) by those you wouldn't expect to hear. Then compare and discuss with the partner.

1. I would like to say first of all thank you for coming.
2. Claims as aforesaid must be received not later than 30 days after the expiry of the guarantee.
3. Perhaps we could begin by outlining...
4. First of all, what is a currency option anyway?
5. We now have to look at why the option has a particular place for the commercial user.
6. Wallers Bank announces that, with effect from 30 October 1991, its base rate is decreased from 12 % to 11.5 % per annum.

7. So here are a number of situations described so far where you actually have something that is providing some unique advantages.
8. I attach a proposed agenda for this year's conference.
9. If we get down to something a little bit more practical...
10. What can I get you?
11. I'd like now to draw the main threads together.

### A 3

Say if these statements are true or false.

1. John begins by introducing himself and thanking his listeners for coming
2. John says that currency options are quite complicated.
3. There will be opportunities later for discussion with subject experts.
4. He expects currency options to become as important as forward contracts
5. His bank was one of the first to introduce all kinds of new services in the currency options field.
6. He believes that his bank does as much currency options business as any other bank in the world.
7. He expects the retail banks eventually to do larger volumes in currency options business than his own bank.
8. He doesn't expect larger banks to have the same tailor-made element in currency options services as his own bank will have.

### A 4

Make your own presentation using the following expressions:

And the idea is to	I would like to say first of all
One of the areas which	We have got a number of services in...
Good morning. I'm..	Perhaps we could begin by

## Section B

### B 1

John Morley continues his presentation. Which of these items does he talk about?

*The history of currency options	*Advantages of currency options.
*What currency option is.	*Options and treasury services
*Currencies available	*Relations between banks.

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*B 2***Choose the best answer.**

1. If you purchase something:
  - a) you hire it;
  - b) you deliver it;
  - c) you buy it;
  - d) you state the cost.
2. An obligation is:
  - a) something you must do because there is a legal or moral requirement to do it;
  - b) a particular thing that you want to do;
  - c) a document promising to pay;
  - d) a sum of money owed by one person to another.
3. Value spot is:
  - a) a period of two weeks beginning two working days from now;
  - b) the price for funds which will be exchanged two working days from now;
  - c) the price for a currency in terms of the currency of another country;
  - d) the date two days ahead on which funds are available in the bank.
4. Something that is straightforward:
  - a) Happens immediately without delay;
  - b) happens too quickly;
  - c) is simple and uncomplicated;
  - d) is very serious and important.
5. Anything that is unique about the option is :
  - a) to be found only in the option;
  - b) to be found mainly in the option;
  - c) difficult to understand;
  - d) new and not very well known.
6. A deal is:
  - a) a business agreement;
  - b) a business relationship;
  - c) a way of saving money;
  - d) a person who buys and sells things.
7. A principle advantage is:
  - a) an advantage that you believe in;
  - b) a general advantage;
  - c) an advantage in theory but not in practice;
  - d) a main advantage.

8. Downside risk is:
- the possibility of fall in value;
  - the possibility of a rise in value;
  - the possibility of a fall in quality;
  - the possibility of fewer advantages.
9. If something happens simultaneously, it:
- happens without being planned;
  - happens before something else;
  - happens after something else;
  - happens at the same time as something else.
10. A premium (here) is:
- a large sum of money;
  - a sum of money set aside for a particular purpose;
  - a charge for the use of an option;
  - a demand for payment.

### B 3

Match the items with the definitions.

<p><b>1.</b> First of all what is a currency talking about?</p> <p><b>2.</b> Can everyone see that?</p> <p><b>3.</b> Like an ordinary foreign exchange deal</p> <p><b>4.</b> So that's the essence of it.</p> <p><b>5.</b> It's a perfectly straightforward initial idea.</p> <p><b>6.</b> We now have to look at why the option has...</p> <p><b>7.</b> What is it that's unique about advantages that make it the best deal?</p> <p><b>8.</b> ...and we'll come and discuss some of them in more detail.</p> <p><b>9.</b> A principle advantage is that...</p> <p><b>10.</b> An option does that</p>	<p><b>A.</b> Stating a feature of something which option are we makes it better than anything else.</p> <p><b>B.</b> Saying that you are going to talk about smth. later.</p> <p><b>C.</b> Saying that smth. is simple.</p> <p><b>D.</b> Moving on to the next point.</p> <p><b>E.</b> Making a comparison.</p> <p><b>F.</b> Emphasizing that an option fulfils a function already referred to.</p> <p><b>G.</b> Introducing a definition or the option that gives it certain explanation.</p> <p><b>H.</b> Introducing the main feature of smth which makes it better than anything else.</p> <p><b>I.</b> Checking that everyone can see an illustration.</p> <p><b>J.</b> Saying that you have spoken about the main features of something.</p>
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## Section C

### C 1

Listen to this part of the conversation again and write down in the spaces provided the words that John actually uses instead of the words in brackets.

1. An option is.....useful for covering contingent cash flows (especially)
2. ...., for instance, where you might make the order.....(written offers to supply goods or carry out work at a stated price)
3. Range of........(exchange rates agreed for a currency option)
4. You can't.....to deal at some other rate. (choose)
5. Most companies reckon they can live with a few cents.....of an exchange rate. (movement)
6. So you can....., depending on ...(change the charges that you pay for the use of an option)
7. ...by which I mean that if you are.....,for instance, and the dollar has been going up and up ... (in a position where you have bought more dollars than you have sold)
8. You can take out an option to sell the dollars at.....(today's price)
9. ...if it goes up effectively, you have locked in that amount of.....(financial gain or advantage)
10. And.....might find this profit lock effect a useful one (people responsible for a company's money)
11. ...an option and obtain.....which you cannot get any other way. (an advantage)

### C 2

A good speaker uses language to help direct the attention of the listeners. Look at some of the techniques below which a speaker can use to focus the listener's attention on important points.

ENUMERATE.....The first point is...

EMPHASIZE.....A principle advantage is...

REPEAT.....a 15 % rise in costs. 15 %

RESTATE.....Let's look at that another way

FOCUS.....Look at these figures

LINK.....We've seen the advantages; let's now examine the costs.

EXPLAIN.....Finally, profit lock, by which I mean...

SUM UP.....So here are a number of situations described so far where...

Now prepare a short presentation about a service or a product with which you are involved. Try to include everything mentioned above in any order. Your groupmates should make some notes while they listen to your presentation.

## Section D

### *D 1*

1. Read the letter from John Morley to one of the guests who was at his presentation. The letter contains 9 paragraphs. Read it quickly and match the ideas below with the appropriate paragraph.

- A. Stating the price of a service.
  - B. Specifying terms and conditions.
  - C. Offering a facility.
  - D. Offering to state the price of a specific service.
  - E. Generally inviting business and offering service.
  - F. Saying who should use a service and when.
  - G. General introduction of a service.
  - H. Explaining how a service works.
  - I. Stating the purpose of writing.
2. What are the three main topics of the letter?

Wallers Bank plc  
Wilhelm Haussman  
Corporate Finance Director  
Zurich Switzerland

14 Churchgate, London

Dear Wilhelm,

1. It was a pleasure to see you at the Bank on March 7 and 8. During our Thursday afternoon meeting, we briefly discussed several points and, as promised, we are now writing to you concerning the three major issues raised.

2. Firstly, we noted your interest in learning more about our interest arbitrage operation, a service by means of which we are able to provide very attractive interest rates in all major currencies. The way in which these loans are arranged is by the use of sterling bills or exchange, so-called “eligible bills”, which can be discounted in the London discount market. This market reflects the short-term (one to six months) domestic interest rate level in the United Kingdom and often provides cheaper funding than LIBOR – related instrument.

3. Companies to whom this form of lending will appeal are, in particular, those that have a borrowing requirement in a currency in which they have receivables available for repayment at the end of the loan period. According to the regulations of the Bank of England, the bills must support a commercial transaction such as export, import or domestic trade.

4. We arrive at our interest rate through discounting sterling bills on behalf of our customer and converting the net proceeds into the required currency at the spot rate. Wallers then enters into a forward contract with the customer for the purchase of the currency to be repaid at maturity of the loan and all the rates used for these transactions combine to produce the interest rate quoted to the customer.

5. Secondly, you expressed interest in opening a Sterling Current Account and I am now pleased to be able to offer you this facility on the following terms and conditions.

6. For your requirements in Sterling we would operate a current account in your name, transacting all standard banking items and paying interest on any cleared credit balances as follows :

-Up to 25 000 pounds – Nil

-from 25 000 to 100 000 pounds – Wallers Call Rate less 1 % p.a.

-Over 100 000 pounds – Wallers Call Rate (currently 9% p.a.)

I enclose a copy of our standard charges for standard items, but would operate the account free of charge for say six months, except for :

- Clearing bank telex charge for same day value payment to one of their branches

- Special clearing costs

- Daily telex statement charge

After six months, we would review the arrangement in the light of account activity, balances held and prevailing interest rates.

7. We can provide a daily Telex Statement of Account which would be available to each morning, itemizing all the transactions of the previous day and including the opening and closing balances. Our fee for this service is 600 pounds for each account.

8. Finally, you mentioned your forthcoming negotiations for the takeover of a United States company, The exchange risk that arises for you as a contingent liability during the negotiations is clearly a considerable one and one that is best covered, for reasons already discussed, by the use of a currency option. We would be particularly pleased to take this matter further, by advising you as to an appropriate strike price and by quoting every competitive premium.

9. We thank you for giving us the opportunity to assist you with your banking requirements and look forward to setting up an active and growing relationship

with your group of companies. Meanwhile, if you have any queries, please do not hesitate to contact me.

Best wishes

Yours sincerely,

John Morley

### *D 2*

Look at these steps describing the bank's interest arbitrage system and number them in the order you think they happen. Bills are discounted in the London discount market. Bank enters into a forward exchange contract with the customer. Bank accepts sterling bills from customer. An overall interest rate is calculated on the basis of all the other rates. The loan matures and the customer repays the agreed currency amount. Net proceeds are exchanged for the currency required at the spot rate.

Now compare your sequence with that in the letter.

### *D 3*

Write a letter to a new customer, describing a service offered by your bank or company.



## UNIT 6. TRADE FINANCE

The growth of multinational corporations manufacturing and trading on a worldwide basis has led to the growth in the overseas operations of major banks over the last 20 years. Banking may be said to be the one industry on which all other depend for financial services at one time or another, and banks play a key role in the import and export trade in particular. In 1991 US companies exported goods with a total value of USD 234 thousand million. In the same year the American market imported merchandize worth USD 234 thousand million. Banks provided a considerable amount of money to finance this trade, and in 1990 foreign earnings accounted for 47.3 % of the consolidated earnings of the 10 biggest US commercial banks. Letters of credit are the most frequently used international service provided by banks for customers involved in international trade. Such a document guarantees that the seller (exporter) will be paid according to the contract. At the same time, it protects the buyer (importer) by guaranteeing that payment will not be made until the contract is fulfilled. Letters of credit may be revocable and irrevocable, but the latter is most usual since it stipulates that no changes may be made without the consent of both the buyer and seller. They may also be issued on a time or sight basis. The former calls for immediate payment against the documents evidencing the shipment of goods; the latter specifies a date by which payment must be made. The letter of credit may also be confirmed, which means that the exporter's bank undertakes to pay the exporter for the goods once the correct documents are received. Procedures differ according to the type of credit, but let us assume, for example, that a company in Australia wants to import goods from a company in Basle, Switzerland. As well as requiring credit, the Australian company wants to be sure that the contract will be fulfilled. The Swiss company wants to know that it will be paid for the goods. The Australian company therefore contacts its local bank and requests, for example, an irrevocable sight letter of credit in favor of the Swiss exporter. The application will specify the documents required as proof that the shipment of goods has been made. The Australian bank notifies a bank in Switzerland of the credit, and is then known as the issuing or opening bank. The Swiss bank contacts the exporter in Basle and is then known as the advising bank. The exporter i.e. the seller, is now the beneficiary of the letter of credit, and will receive payment provided the terms of the contract.

When the goods have been shipped, the company in Basle presents the documents to its bank, which may or may not be the advising bank, and the bank will make payment immediately. This it can do with confidence, since it knows, that

the issuing bank must make payment. Funds then flow from the issuing bank in Australia to the paying bank in Switzerland, as reimbursement for the money paid by the Swiss bank to the seller in Basle. The Australian bank then recovers this money from the account of its customer, the importer.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 6. Trade finance

Banks play an important role in the financing of international trade. In this unit we will hear about the financing provided by one bank and then we will listen to two bankers meeting to discuss matters of trade finance between their two banks.

### A 1

What are your country's main exports? What are your country's main imports? Who are your main trading partners? Discuss these questions with a partner.

### A 2

To which countries do you think a foreign bank would most be prepared to finance the exports of one of its customers? List the countries in order of preference of the bank, with number 1 as the best country to export to and number 5 as the worst. Then compare your order with that of a partner and discuss any differences.

Payments Survey.

Country	Usual terms	Payment situation	General situation
Eastland	Normal range of terms. Increasing requests for longer credit terms	Some delays reported. Amounts under USD 3,000 processed faster.	Steady economic growth should continue. Downward import trend forecast.
Southasia	Documentary credits commonly used.	Strict exchange controls. Prior approval of Central Bank necessary for all import settlements	Rigid import controls: licences issued only for priority categories. Politics unsettled.
Northland	Normal market terms. Currency normally USD or ECU	Generally satisfactory	Business conditions favourable. General election next year.
Newlandia	Normal terms apply.	Good payment record. FX easily obtained for payments abroad	Politically stable Enormous FX reserves, despite reduced oil revenues
Westina	Fully secured terms advised	Customer default and slow payments affecting suppliers. Caution required.	Rocketing inflation. Tough budget in June. Acute shortage of FX.

### A 3

Roy Meadows and Christine Stannard, who work in the international trade and banking division of a British clearing bank, are explaining their trade finance services to a potential customer, Peter Baker. Listen to their conversation and answer these two questions.

1. Does Roy talk about trade finance in broad terms or does he go into detail?
2. Does Christine give an example about the past, the present or the future?

### A 4

Listen to the conversation again and write down in the spaces provided the words that Roy and Christine actually use in place of the underlined words.

1. ...involved with the very large..... ... (British companies)
2. ...involved in international trade, the ..... (companies operating in several countries)
3. ...these large corporations, plus their..... ... (the companies in which more than half the share-capital is owned by one of these corporations)
4. ...a.....export order to France. (possible but not yet actual)
5. ...and the.....(legal agreement) was originally drawn in..... ... (British pounds)
6. ...because they are not permitted to..... .... (buy foreign currency in advance so as to protect against changes in the exchange rates)
7. ...the necessary sterling to pay the..... (invoice, the list of charges to be paid)
8. So we got some..... ... (statements of price)
9. ... .....back to the customer. (with no right of demand)
10. ...all sorts of..... ... (arrangements between a bank and an importer by which the bank pays the foreign exporter as soon as certain conditions have been met)
11. ...whether they should be..... ... (cannot be cancelled without the agreement of all parties)
12. ... whether they should be..... ... (include an undertaking by the paying bank that it will pay the amount due if the issuing bank does not pay)
13. ... we deal with.....and so on. (arrangements under which the importer must first pay before the bank will hand over the documents that he needs in order to get the goods)

### A 5

Look at the following article and suggest the best headline from this list.

**Good news for foreign investors**

**Fall in profits**

**Setback for growth**

**Trade deficit increases**

A recent.....(1) by the Southlasia Statistics Institute predicts that the economy will.....(2) by a mere 0.1 % this year, in contrast with the two per cent estimated by the government. The Institute also.....(3) a continued trade.....(4), higher inflation and rising unemployment. To.....(5) the decline in the country's foreign exchange reserves, the government has introduced .....(6) measures to curb imports, and has.....(7) several joint.....(8) development contracts. Southlasia's external debts.....(9) total the equivalent of three years of the country's exports at 1991.....(10)

Now fill the spaces with suitable words from the box.

Stringent	deficit	postponed
Currently	halt	profit
Forecasts	grow	venture
Levels	study	capital

## Section B

### B 1

1) Listen to the meeting between Ken and Kai and write down in the spaces the words that they use instead of the underlined words.

- Our banks have had.....for 8 years...(an agency arrangement with each other)
- ...and whether you have any questions about the.....(way in which things work)
- Yes, we have one..... (topic which is more important to us than any other)
- ...even though the credits are payable, in fact,.....(immediately they are received)
- We.....of course by paying market-rate interest ...(make you a suitable payment for loss)
- ...the.....laid down by our Central Bank. (fixed ways of working)
- ...But then to be able to..... we need the permission of...(meet a liability, to pay as we promised)
- ... an import.....from the Ministry...(official permission in writing)
- ...the goods have been examined.....shipment...(before)
- They ended the..... (situation in which only one company has the right to provide a service)
- ...and.....(as a result) during the..... traders stockpiled shipments. (time between two events)

12. ... all arrived in Southlasia at the same time, causing a..... (lot of work which is late and still waiting to be done)
13. But unfortunately we're still left with..... (an amount which is less than the required amount)
14. I'll then check things up and try to.....for you. (make things go faster)

**B 2**

Match the following phrases in the left-hand column with the purpose in the right-hand column.

1. I was interested to know how you see the...	<b>A</b> Saying that you need to check on information before you can give an answer.
2. Yes, we have one main point of concern, certainly...	<b>B</b> Stating an observation made on the basis of experience.
3. Over the last year we've noticed that...	<b>C</b> Making a polite request for action
4. ...I think it's fair to say...	<b>D</b> Asking for a person's point of view
5. OK, I see. But unfortunately...	<b>E</b> Indicating that you are not absolutely sure what you are saying is correct.
6. I believe we...	<b>F</b> Indicating that what you are saying is reasonable.
7. I can't say offhand.	<b>G</b> Saying that there is a fact or situation which worries you
8. What I'd like to ask you to do, if I may, is to...	<b>H</b> Expressing understanding and a regret.

**B 3**

Work in pairs and select one of the problems from the list below. One of you represents Bank A and the other Bank B.

Representative of Bank A: Raise a problem about your business with Bank B.

Representative of Bank B: Offers explanations and proposes a solution

**PROBLEMS**

- There is an average delay in payment of confirmed documentary credits by Bank B of 30 days.
- One documentary credit issued by Bank B for USD 650,000 has not been paid, even though it is now three months overdue.
- Documentation sent by Bank B concerning documentary credits is very often inadequate. There always seems to be something missing.

## Section C

### C 1

Look at the terms in the left-hand column and match them with the definitions in the right-hand column.

1. line	<b>A</b> Payments that are owing and overdue.
2. utilized	<b>B</b> Definite
3. concrete	<b>C</b> Rules are followed
4. beneficiary	<b>D</b> Receipt from the ship's master for goods received for shipment.
5. confirming bank	<b>E</b> A person named to receive payment
6. prohibit	<b>F</b> Pay the money that is owing.
7. domestic politics	<b>G</b> Income from oil rises and falls often.
8. oil receipts fluctuate	<b>H</b> The political situation in the country.
9. federal authorities	<b>I</b> Document sent by exporter to importer recording sale of goods.
10. relevant licence	<b>J</b> Government organization.
11. honour debts	<b>K</b> Make impossible and prevent.
12. delays in reimbursement	<b>L</b> Document stating the country in which goods have been manufactured
13. arrears	<b>M</b> A sum of money available to draw on.
14. regulations are complied	<b>N</b> Used with
15. commercial invoice	<b>O</b> Lateness / slowdown in being payed back money spent as agents
16. bill of lading	<b>P</b> The bank which guarantees payment if the issuing bank does not pay under a documentary letter of credit.
17. certificate of origin	<b>Q</b> Necessary official written permission.

### C 2

Listen to this part of the meeting again. As you do so, make brief notes under the headings given here.

PROPOSALS
RESPONSE
CONCLUDING POINTS

### C 3

#### Read the information:

Bank A has a correspondent relationship with Bank Z, and representatives of the two banks now have a routine annual meeting. Bank A is in an industrialized country with strong economic growth. Bank Z is in a politically unsettled country with falling oil revenues and a shortage of foreign exchange. Bank A has established a line of credit for Bank Z for confirmation of credits of up to \$ 2 mln. Bank

A at present experiences an average delay of 40 days in payment of confirmed documentary credits by Bank Z. No interest is paid. Three credits totaling 95,000 pounds have been outstanding for seven weeks.

Work in pairs, one person representing Bank A and the other Bank Z.

**Instruction for Bank A:** With regard to delays in payment of credits by Bank Z, you want interest paid for the first 30 days at the LIBOR rate. For above 30 days you suggest LIBOR plus 1 %.

**Instruction for Bank Z:** You want to increase your business in general with Bank A, as your national economy is beginning to pick up, due to the fact that machinery is now being exported more and more.

## Section D

### *D 1*

**Read the letter which concerns a documentary credit issued by Ken's bank in Southlasia.**

METROPOLITAN AND PROVINCIAL BANK PLC

Morley Knight Ltd

21 Paradise St.

Warrington

10 Corporation Street

Birmingham B1 2PS

Dear Sirs,

We have been requested by Abbotville Bank, Southlasia, to advise you of the issue of their irrevocable credit number DW1924 in your favour for account of Høglund Trading Co Ltd., Box 5504, Furness, Southlasia, for GBP 22,629 available by your drafts on Metropolitan and Provincial Bank PLC at 60 days sight accompanied by the documents specified below :

Invoice in quadruplicate, indicating LC no. PWH 77YL

Full set clean on board bills of lading, marked "Freight Prepared" and "Notify Høglund Trading Co Ltd., Box 5504, Furness, Southlasia".

Packing list in triplicate.

Covering:

"5PCS ENGINE MODEL PV-37 AS PER PURCHASE ORDER NO. 322/IP7 DATED 15 APRIL 199" (All of which must be stated on your invoice.) Ship-

ment from Warrington to Furness c.i.f. not later than 30 June 1991. Partial shipment not permitted. Transshipment not permitted.

Drafts drawn under this Credit must be presented not later than 30 June 1991.

We are requested by our principals to add our confirmation to this Credit. Accordingly, we undertake to honour all drafts drawn under and in strict conformity with the terms of the Credit, provided that such drafts bear the date and number of the credit, and that the credit and any amendments thereto are attached. We're instructed to claim our charges in connection with this credit from your good selves.

Yours faithfully,

A. Slattery

Manager

Now look through the extract from a blank documentary credit from below. What information did this part of the form contain when it was received from Southlasia by the Metropolitan and Provincial Bank? Look through the above letter again and then write in the relevant information on the form.

<b>name of issuing bank</b>	<b>Irrevocable documentary credit number</b>	<b>date :</b>
Applicant	Beneficiary	
advising bank	Amount	
	partial shipment allowed	not allowed
shipment/dispatch from transportation to	Transshipment Allowed	not allowed
	date of expiry	
We have issued the documentary credit as detailed below. We request you to notify the said credit to the beneficiary		
without adding your confirmation		adding your confirmation

## *D 2*

Look at the letter again and answer the questions.

1. How many copies of each of the following does the bank request from the exporter?
  - a) invoices
  - b) bills of lading



- c) packing lists
  - d) insurance certificates
2. When is the contract sum to be paid to the exporter?
  3. Exactly what is Hoglund Trading Company buying from Morley Knight?
  4. Who pays for the shipment and insurance costs of the order, and how?
  5. How many shipments does the deal involve?
  6. Can the shipment be transferred from a British ship to a Southlasiian ship during the journey?
  7. How many weeks does the exporter have in which to present drafts for payment under this credit?
  8. What must the drafts include when they are presented for payment?
  9. Order than the documents mentioned in Question 1 above, is there anything else that should be sent with the drafts when they are presented for payment?
  10. Who pays the advising bank's charges in connection with this credit?

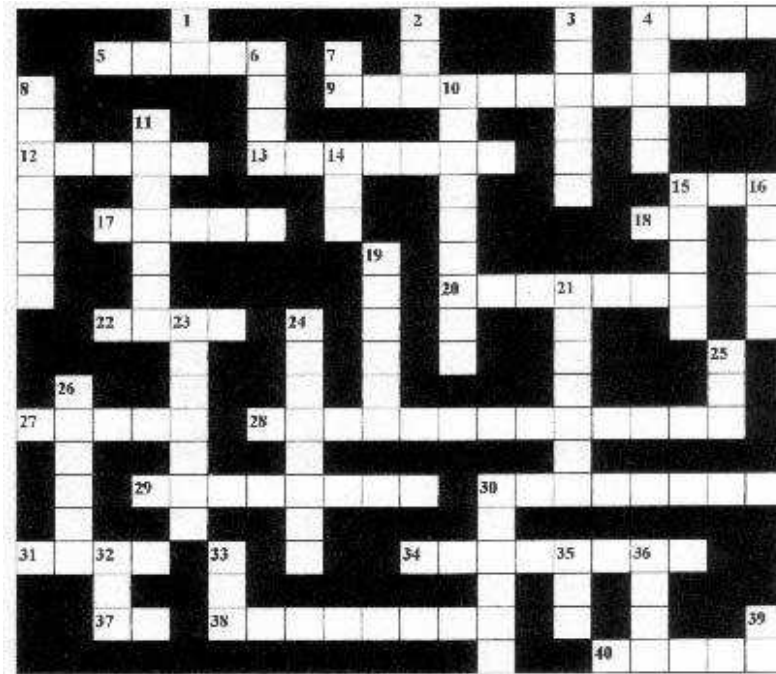
### *D 3*

Look through this information.

Bank X has a correspondent relationship with 3 foreign banks, A, B, and C. The Bank experiences a delay of 30 days in the payment of confirmed documentary credit by Bank A and a delay of 50 days in the case of Bank C. The Bank provides Bank A with a line of confirmation of credits up to \$ 2 mln. It provides the bank which pays confirmed documentary credits at sight with a line for confirmation of credits up to \$ 3 mln. Bank X also provides one of the banks with the line for confirmation of credits up to \$ 1 mln., and the economy of the latter bank's country depends on exports of coal. The bank which pays confirmed documentary credits at sight is in a country where the national economy depends on exports of machinery.

Given this information, which of Bank X's correspondent banks:

1. pays confirmed documentary credits at sight?
2. has a line of confirmation of credits up to \$ 1 mln.?
3. is in a country where the economy depends on oil revenues?

*D 4***ACROSS**

4. For immediate delivery. (4)
5. Swiss currency. (5)
9. Remaining to be paid. (11)
12. Request something that is due by right. (5)
13. A lot of work that is late, still waiting to be done. (7)
15. Put together with something else. (3)
17. Lateness in something happening. (5)
18. Letter of credit. (2)
20. Payable immediately. (2,5)
22. Business transaction. (4)
27. State a selling price. (5)
28. Operating in several countries. (13)
29. Make impossible, prevent. (8)
30. Department responsible for managing a company's funds. (8)
31. A matter to be dealt with. (4)
34. Situation in which only one company has the right to operate. (8)
37. United Kingdom. (2)
38. Buy. (8)
40. Message sent by electronic machine. (5)

**DOWN**

1. Per annum. (2)
2. After costs and other deductions. (3)
3. To meet a claim when due. (6)
4. Movement, change. (5)
6. Control, keep within fixed limits. (4)
7. Short for number. (2)
8. Most of us have one of these with the bank, where we place our money. (7)
10. An amount less than the required amount. (9)
11. Official permission in writing. (7)
14. Cost, insurance, freight. (3)
15. Very serious. (5)
16. Sums of money that are owed. (5)
19. Difference between income and outgoings. (6)
21. A bill to be paid, concerning the sale of goods or services. (7)
23. Money owing and overdue. (7)
24. Date on which a note or loan becomes due for payment. (8)
25. A source of energy, an important export for some countries. (3)
26. Government plan for future national income and spending. (6)
30. Written offer to supply goods or carry out work at a stated price. (6)
32. European Currency Unit. (3)
33. British pounds. (3)
36. A sum of money available to draw on. (4)
39. Foreign exchange. (2)

## UNIT 7. FINANCIAL NEWS

Modern information technology has led to news being transmitted worldwide quicker than ever before. Time differences around the world mean that financial news is being made twenty-four hours a day, and it is this barrage or readily accessible information that serves as basis for many of the business decisions that are made concerning international banking and financing. Techniques of analysis are applied to information to determine its implications and to try to discern trends in the future.

Many prices are determined by a complex interaction of factors. With regard to currencies, it may be said that one factor governing prices is the interaction of supply and demand. Interest rates prevailing in different countries affect currency exchange rates. If interest rates rise in the UK for example, US investors may move funds to the UK to earn higher interest income. They will then sell dollars for sterling, and the demand for sterling will rise, while at the same time the supply of dollars will rise too. The dollar will therefore fall in value, while the price of sterling will rise.

Trade between countries may also affect currency rates. If, say, Japanese exports to Germany rise, and German exports to Japan remain the same, there will be an increase in supply of Deutschmarks as Japanese exporters sell them for dollars. This will normally increase the value of the Yen in relation to Deutschmarks.

Government intervention may also affect exchange rates. If sterling is weak, for instance, the Bank of England may enter the market to buy sterling with some of its reserves of other currencies. This will reduce the supply of sterling, thereby increasing its value.

Stock market prices in particular country are often affected by stock market prices elsewhere in the world, and markets tend to move together, as indicated by the worldwide crash in the autumn of 1987. The share prices of any one company will obviously tend to be influenced by the financial performance of the company, details of which are released at various times during the financial year.

The factor of supply and demand mentioned earlier will also tend to affect the commodity prices. A bad coffee harvest in Brazil will increase the price of coffee because demand will exceed supply. The over-production of oil, on the other hand, will lead to a fall in the price of the commodity, since there will be a glut of oil available on the market.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 7. Financial news

Every day important financial news is being made somewhere in the world. This unit contains news items about companies and markets. Each section deals with a different area of business and relates to a different day.

### Section A

#### A 1

Look through this news report and then fill the spaces with words from the box.

The dollar opened.....(1) in London yesterday, having.....(2) back sharply in the Far East overnight. During the day, however, it.....(3) its losses against most leading.....(4), with the.....(5) of sterling, which held its ground and closed almost a cent.....(6) at 1.4385 (1.4295). Sterling also.....(7) over one pfenning to 3.7900 (3.7785) against the Deutschmark.

Ahead	currencies	weaker
Firmed	exception	slipped
Fell	recovered	business

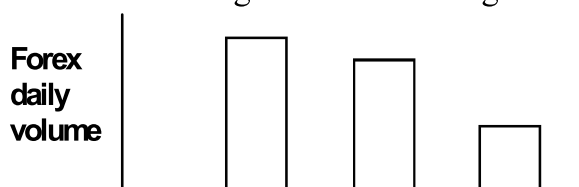
#### A 2

Listen to the beginning of the news report. Say if the dollar had :

- a bad day
- a good day
- a quiet day.

#### A 3

Listen to what the newscaster says about the survey concerning trading on the world's foreign exchanges. Then complete the chart below by showing the amount traded in the leading centre and naming the three leading centers.



#### A 4

Listen to this part of the news report again and then complete the grid to show the different dollar rates that are given.

London close of business yesterday	New York close of business yesterday	Tokyo close of business yesterday	London this morning
DEM	DEM	JPY	DEM

## A 5

Listen to the final part of the news report concerning the latest currency prices in London. Then circle the right alternative in the table to show actual currency rates given.

GBP	USD	USD	USD	USD	USD
USD	DEM	CHF	FRF	NLG	GPY
1.54.5	216.38	2.16.6	8.14	2.79.5	215.85
1.44.5	263.8	2.60.6	1.40	2.97.5	250.58

## A 6

Choose the one best answer.

1. If prices **drifted down** they:
  - a) fell heavily;
  - b) fell slightly;
  - c) fell quickly;
  - d) rose then fell.
2. **A survey** is:
  - a) a report based on inspection;
  - b) a document that describes what is expected in the future;
  - c) detailed description of goods;
  - d) an official list of things or events.
3. **Forex volume** is:
  - a) a sum of money that is borrowed;
  - b) a sum of money that is invested;
  - c) the volume of money in a country;
  - d) the volume of foreign exchange
4. If **trading was thin**:
  - a) buying and selling was not very successful;
  - b) there was a lot of buying and selling;
  - c) there was not much of buying or selling;
  - d) there was no buying and selling at all.
5. **US economic indicators** are:
  - a) the index of retail prices produced by the US government;
  - b) figures that show the difference between the amount of money flowing into and out of the USA;

- c) figures dealing with economic activities in the USA;
  - d) the total amount of money that other countries owe to the USA.
6. **US consumer prices** are:
- a) a list of prices to be paid for goods imported into the USA;
  - b) the index of retail prices produced by the US government;
  - c) the prices charged for goods exported from the USA;
  - d) the prices charged for US dollars expressed in the money unit of another country.
7. **Durable goods orders** are:
- a) orders for goods which are intended to be used over a period of time;
  - b) orders for goods which are used up soon after they are bought;
  - c) orders for any types of goods; d) orders for goods to be exported.
8. If information **is released**, it:
- a) is for sale;
  - b) is kept secret from the public;
  - c) is made known to the public;
  - d) is written down and recorded.
9. A **gain** is:
- a) a change in value;
  - b) an increase in value;
  - c) a fall in value;
  - d) a value that stays the same.
10. If the dollar **slipped back a little**, it:
- a) fell slightly;
  - b) fell unexpectedly;
  - c) fell quickly;
  - d) rose then fell.
11. **The covering of short position** is:
- a) banks buying a currency because they had previously sold more than they had bought;
  - b) banks selling a currency because they had previously bought more than they had sold;
  - c) banks buying and selling currencies so as to make a profit;
  - d) banks buying a currency and selling it soon.
12. If the pound was **aided by firmer** spot oil prices, it was:
- a) helped by higher spot oil prices;
  - b) not helped by higher spot oil prices;
  - c) helped by lower spot oil prices;
  - d) not helped by lower spot oil prices.

**B 1**

Read this short financial news report and then replace the underlined words with suitable from the box.

Share prices again closed higher in active trading on the Northland Stock Exchange, based on a firm domestic bond market and hopes of a drop in interest rates here and in the USA. Prospects of lower interest rates aided gains for banks in general, with Quintorp Bank leading the way with \$ 1.69 rise. Major electrical stocks were somewhat lower, with the MacOng Corporation easing \$ 1.05. Industrial issues closed broadly higher, with blue-chip issues showing the most volume and the largest gains. In other market news, prices closed higher in Tokyo and Sydney, mixed in London and Milan and lower in Frankfurt, Paris and Zurich.

Varied	slightly	fall
Falling	increase	leading
The possibility	range	advances
Busy	generally	

**B 2**

Listen to the part of the news report relating to companies and stock markets.

1. How many firms are mentioned in the company headlines?
2. How many stock markets are mentioned?

**B 3**

Listen to the part of the report again and say if these statements are true or false.

1. Lewhill employs 1,500 people.
2. Welby Engines have obtained a 30 mln. pound order from Air Taxes
3. Basterfield's bid for Garvin has been turned down.
4. London stock market prices yesterday reached record highs.
5. Sheldon have sold their interest in Quinton.
6. The price of leading stocks rose slightly on Wall Street on Tuesday
7. On Wall Street on Tuesday more stocks rose than fell in price.
8. Hong Kong shares showed a heavier fall than Tokyo shares.
9. Shares in general fell sharply in Australia.
10. Many shares were sold in Australia.

**C 1**

Write down the words that the newscaster actually uses in place of the underlined words.

1. Lewhill is to open.....in Birmingham. (a factory costing 30 mln. pounds)
2. Welby Engines have.....a 25 mln. pound order... (succeeded in obtaining)
3. ... and the latest.....(price offered) for Basterfields by the.....(very large Canadian company) Garvin has been.....(decided against)



4. ....(In the area of news dealing with the outcome of a company's trading during only part of the year) Luxdon's third quarter profit of 300 000 pounds came as a ..... (disappointment and difficulty)
5. ... with a 50 % profits rise compared with.....(the last period of three months)
6. .. ..... remained close to last week's record highs. (the parts into which the ownership of a company is divided)
7. .... (finance companies and finance organizations which buy and sell bills of exchange) were..... ... (an area of business activity tending to rise)
8. Ainscough and Lee were up nine at 437 on..... ... (hopes of an offer to buy)
9. ...on their Monday sale of their..... . (financial interests in Quinton)\
10. ... which in fact.....(hide a difficulty), if one.....(does not take into consideration) the.....(money obtained) from the.....(arrangement by which they sold their head offices in Birmingham on condition that they were then hired back to them at an agreed rent)
11. ...on..... (uncertainty) about the.....(price of the raw material)
12. On Wall Street on Tuesday..... ... (major shares were slightly higher in price)
13. ....were strong. (documents promising to pay sums of money at special times)
14. In Australia, .....(all share prices moved downwards suddenly) although..... . (there was not a lot of buying and selling)

### C 2

Look through this short news report about commodities and fill the spaces with the words from the box. Commodities trading was quiet yesterday, with.....low and price .....narrow. Copper..... within a 2 pound price range, and ended the day..... Only tin among.....showed any life, gaining 5 pounds a tonne. Lead, aluminum and zinc all..... .....commodities were similarly quiet. Coffee prices were..... unchanged, and cocoa prices dropped back a few pounds. Sugar traded mixed, ..... fresh developments.

awaiting	volumes	metals	ranges	soft
traded	virtually	Fell	charges	down

### C 3

Write down the words that the newscaster actually uses in place of the underlined words and show the different prices of gold at the time and places given.

1. In the London.....yesterday...(market dealing with bars of gold and silver)
2. New York gold prices were.....up 20 cents...(very slightly higher, slowly moving)

3. ...with.....at 428 pence...(the price which is to be paid for the delivery two working days from now)
4. ...and.....at 438.5. (the price which is to be paid for the delivery three months from now)
5. ....were little changed...(prices in New York for the delivery of silver on a specific date at an agreed price)
6. ....(certain common metals) drifted lower in reaction to..... . (the stronger British pound)
7. Among the.....(non – metal commodities), cocoa.....after its recent fall...(recovered)
8. ....were steady, but then...(contract prices for the delivery of sugar on a specific date)
9. In New York, cotton..... .(prices were slightly lower)
10. ...though.....was up three quarters...(the price for corn to be delivered in December)

#### C 4

Choose the best headline for the following newspaper article.

**BANK PRICES FALL.**

**FINANCIAL PROBLEMS FOR TWO US CORPORATIONS.**

**BAD WINTER FOR RJC.**

**CHAIRMAN RESIGNS.**

**LATIN AMERICAN DEBT PROBLEM.**

The international banking community showed signs of worry last week over rumours that RJC Bank, America's tenth largest bank, was close to bankruptcy acquisition or a forced merger, due to a severe liquidity crisis. The concern underlines the nervousness of the major international banks with regard to loans to developing countries, especially those in Latin America. In the case RJC Bank, the problem is added to by bad domestic loans, particularly to the depressed energy sector. At the end of 1988, RJC had \$ 29,9 billion deposits, making it number ten in the US banking league. Since then, things have gone very badly. On the New York Stock Exchange, RJC shares have fallen from a 1989 high of \$44.25 to an all-time low of \$10, reached last Tuesday. This means that the capitalization of the group has crashed from \$ 1.8 billion to some \$420 million over an 18 month period. On Friday, however, when Wall Street stock prices generally eased in thin trading, investors showed some confidence in RJC's future, whose share price rose \$ 1.275 to \$ 12.075 by close of business. The previous chairman of RJC, Lee Dobbs, resigned earlier this year amid rows over the bank's lending, and one of the first moves of the new chairman and chief executive, Jim Kent, was to try to improve the capital base of the bank by selling certain assets. Its credit card business was sold in May to Key Commerce for some \$ 1 billion. At the company's

annual general meeting early last month, Kent told shareholders that non-performing loans, up by \$450 mln. in the first half, would cost over \$40 mln. this year if they neither rose nor fell. Over half the \$ 450 mln. rise to \$ 2.1 billion stemmed from Latin American credits, notably to Westina where the bank advanced some \$ 210 mln. in 1989, as a package designed to meet the country's external financial needs. The status of this loan, and the bank's other outstanding loans in the area, must be regarded as questionable. Approximately 56 % of the bank's loan portfolio is outside the US. But the bank's latest problems have occurred closer to home. At the end of last month, the Brown McCoy Corporation defaulted on a \$ 9 mln. repayment on a loan provided by 5 banks, including RJC. In an attempt to prevent the bankruptcy of Brown McCoy, its banks are now planning to lend it a further \$80 mln. Only this week another RJC's borrower, Thomas Ainscough Corporation filed for reorganization under the US bankruptcy code. The corporation has unsecured loans totaling \$210 mln., of which \$40 mln. is outstanding to RJC. In 1990 RJC's net credit losses rose to \$269 mln. from \$140.3 mln. in 1989. If the pattern continues over the second half of 1991, it could be a cold winter for RJC.

### *D 1*

Look at this list of events which are mentioned in the article. Number them in the order in which they actually happened. Then compare your answers with those of a partner and discuss any differences.

- ... Jim Kent appointed chief executive of RJC Bank.
- ... RJC share prices reach a high of \$ 44.25.
- ... Thomas Ainscough Corporation files for reorganization.
- ... Annual general meeting of RJC Bank.
- ... Lee Dobbs resigns as chairman of RJC Bank.
- ... RJC sells its credit card business for \$ 1 billion.
- ... RJC shares reach their lowest ever rate of \$ 10.
- ... Brown McCoy Corporation defaults on a \$ 9 million repayment.
- ... RJC share prices climb \$ 1.275 to reach \$ 12.075.

### *D 2*

On the basis of the information in the article, say whether these statements are true or false.

At the end of 1988, there were nine US banks with total deposits of more than 29.9 million dollars. RJC Bank has approximately 42 million shares. RJC Bank's share price when the New York Stock Exchange opened last Friday was \$ 10. 80. Net credit losses will rise by \$ 40 million last year. At the end of 1990, the bank had non-performing loans totaling \$ 1.6 billion. 44 % of the bank's lending is to domestic customers. The article was written in early 1991. The bank's net credit losses rose by \$ 128.7 million last year.

## **UNIT 8. PROJECTS**

The provision of credit is one of the primary functions of a bank. It allows the borrower to finance major projects which would have otherwise not been possible. A company building a new production plant or country building a new dam both need to raise very large sums of money in order to get the job done. The provision of funds by banks for specific projects is thus an important part of international financing.

For practical or legal reasons, a bank may decide that a particular loan is too large to handle alone. Banks often therefore refer loan proposals to other banks, frequently their larger correspondents, and invite them to participate in the loan. Syndicated lending therefore allows a bank to share with other banks (sometimes 100 or more from different countries) the risk involved in granting big advances. The borrower is able to obtain more than would be possible from a single bank, even though he or she deals with only one bank which organizes the participation of the other banks. The lead manager, as this bank is called, decides the rate of interest to be charged, collects payments from the borrower when due, and distributes the money to the participating banks.

International lending normally requires a clear understanding of the political and economical situation in the country in question, since granting credit naturally involves a degree of risk. Banks therefore examine exchange control regulations, balance of payments difficulties, payment records and so on before undertaking an international loan for a major project.

In Britain, the Export Credits Guarantee Department was set up in 1919 to help British exports. One of its range of services is to guarantee banks against losses resulting from loans made to the exporter (supplier credit) or to the buyer overseas (buyer credit). Such credits are used for loans of more than two years' duration and for large contracts such as ships. In the case of a buyer credit, the ECGD lends up to 85 % of the contract price to the buyer, or a bank in the buyer's country, so that the exporter can be paid. A similar organization in the USA is the Export-Import Bank (Eximbank), a government organization set up in 1934 to aid trade between the United States and other countries.

## Unit 8. Projects

Many projects involve very large sums of money and financing these projects is often undertaken internationally with co-operation between several banks and government agencies. This unit is about such financing.

### A 1

What large projects are being financed, or have recently been financed, in your country? What large projects has your bank been involved in financing in recent years?

### A 2

1. Look at this newspaper report and choose the best headline for it from this list.

**INTERNATIONAL CO-OPERATION**  
**MIXED CREDITS FOR EASTLAND**  
**CONSULTANT GIVES GO-AHEAD**  
**NUCLEAR POWER FOR EASTLAND**

An Anglo – Swedish..... has.....a contract worth about \$ 1.5 billion to build a nuclear power plant in Eastland. The....., the Eastland State Power Authority, asked all..... to submit comprehensive financing....., which were then evaluated by the German consultant, Becker-Bungert. The Anglo – Swedish bid was the only one to contain a mixed credit..... . The consortium, led by Strutz of Stockholm, has the.....of the Swedish and British governments, who have both arranged packages consisting of 60 % export credits and 40 % aid. The aid is at 3.5 % over 25 years and the export credits, at the..... consensus rate of 10.5 %. are for ten years.

2. Fill in the spaces with appropriate words from the box.

current	Proposals	package
costs	Consortium	backing
won	Client	bidders

### A 3

Look through this survey from a trade magazine and answer these questions

1. How many loans involve import/export and how many involve projects?
2. Which is the smallest loan?
3. Which loan is for the longest period?
4. In how many cases are interest rates specified?
5. How many loans are provided by one bank only?

## Syndicated loans survey

<b>Borrower</b>	<b>Project</b>	<b>value</b>	<b>terms</b>	<b>bank</b>
Newlandia Petroleum Corporation	Buyer credit to finance supply of drilling equipment	GBP 25.75 m	Two tranches: in 2 yrs bullet, repayment; second repayable in 28 quarterly instalments. Rates not available.	Sole provider: Key Commercial
Tokig Industries	To finance export of capital goods	JPY 2bn	6 yr maturity: First yr is drawn down period. Amounts outstanding then rolled into a 5 yr term loan	Lead manager: Cybulski Corp.
Cockle Development Company	Construction of hotel/shopping complex.	DEM 80.5m	8 yrs at 7/16% over 6 mth. LIBOR.	Lead managers: Siddons int, ZB Bank
Government of Northland	Hydro power station	CHF 150m	Swiss bond rate plus margin. 20 yrs.	Lead manager agent: RJC Bank
Newlandia Transport Authority	Supply of vehicles to Newlandia	USD 10 m	Eurodollar loan 7 yrs at 10.5% fixed rate. 1 yr 3 mths grace.	Sole provider: Wallers

**A 4**

Ken Bailey, the Executive Director of a London merchant bank, is being interviewed about his work.

1. Is Ken explaining how his bank finances projects or discussing a project financed by his bank?
2. How many questions does the interviewer ask?

**A 5**

Look at the following stages in the arrangement of a syndicated loan by Ken's bank. Put them in the correct order of events. Then listen again and check your answers.

- A. Appointed as lead manager.
- B. Maintain contacts.
- C. Decide whether or not to finance it solely themselves.
- D. Advisory conversations with the customer.
- E. Send offer document to other bank.
- F. Compete with other banks.

## Section B

### B 1

Write down the words that are actually used in place of the words which are underlined. If you need, listen to the interview again.

1. As a.....(bank which is mainly concerned with the financing of international trade) we.....for corporate customers...(provide services only)
2. ...longer term finance than a .....? (bank which is a member of a central organization through which cheques are presented for payment)
3. ...the main method for.....in recent years...(arranging loans for long periods of time)
4. ...mainly to large.....worldwide...(organizations set up for specific purposes)
5. ...by arranging a.....(sale of bonds in dollars or some European currencies by a group of banks)
6. ... who are likely to.....in that borrowing (take part in)
7. So that's where the.....of long-term money...(original starting point)
8. And then as.....in a loan...(an organizer of the other banks)
9. ...hydro-electric company, say,.....in Africa...(arranging the buying of machinery and equipment)
10. ...hopefully you'd be.....the lead manager. (given the job as)
11. ... you may have..... (enough money)
12. ...if there are ten issues.....being sold... (at present)
13. ...adding say a sixteen to the..... (income received from an investment)

### B 2

Here are seven short extracts from the conversation between Ken and the interviewer. Each is followed by two statements that might be understood from the speaker's words. Listen carefully to how Ken actually says these words and decide which meaning is intended.

1. As a merchant bank we cater solely for corporate customers ...
  - a) ...and only for corporate customers.
  - b) ...and other types of bank cater for other customers.
2. The method, the main method for raising long-term funds in recent years
  - a) ...although there are also other, less important methods.
  - b) ...although earlier, things were different.

3. So that's where the source of long-term money has come...
  - a) ...and from anywhere else.
  - b) ...but short-term money has come from other sources.
4. You would then decide whether you wanted to finance the whole of it yourself..
  - a) ...and not before.
  - b) ...or just part of it.
5. So the customer probably wouldn't have a direct contact with those other banks...
  - a) ...but our bank would have direct contact.
  - b) ...because all his contact is with us.
6. We would have a lot of advisory conversations with the customer.
  - a) ...too many conversations, in fact.
  - b) ...in order to make the situation quite clear for the customer.
7. We would advise our customer to wait...
  - a) ...but we cannot stop him if he wants to go ahead.
  - b) ...and not to do anything just now.

**B 3**

Ken Bailey receives a phone call from Paul Black, a civil servant in Northland. Listen to their conversation and answer these two questions.

1. Is this the first time that Ken and Paul have discussed the project?
2. Does Ken give a firm answer?

**B 4**

Below is a copy of the form which Ken fills in as a record of important telephone calls. Listen to the phone conversation again and fill in the form for Ken.

TELEPHONE MEMO Subject: Client: Contact person: Project: Sum: Action required: Signed: Date:
--

**B 5**

Check the meaning of the words and phrases in the box with a partner. Then, working together, match the words with the correct definition from the list below.



economic indicators	treasury department
senior civil servant	quarter
lead manager	documentation
civil engineering work	turnkey basis
Participants	trade balance
raising a large sum of money	terms
joint venture	established

1. A top person in one of the departments of national government.
2. The government department that controls the finances of a country.
3. Organizing the obtaining of a lot of money.
4. The planning and construction of buildings, roads and suchlike, usually for a government.
5. A partnership, in the case temporary, of two or more companies to co-operate on a specific project.
6. A contract arrangement whereby the contractor completes the whole project and then hands everything over to the client, ready for operation.
7. Figures dealing with economic activity which give a general idea of changes in the economic climate.
8. A fourth of a year.
9. The difference in the value of imports and exports of a country.
10. Those who take part in the activity.
11. The principal party coordinating a syndicated loan.
12. Made certain of the fact.
13. The papers relating to a business deal.

### ***B6***

By stressing different words in a sentence, we can indicate different meanings. Here are seven short extracts from the conversation between Ken and the interviewer. Each is followed by two statements that might be understood from the speaker's words. Listen carefully to how Ken actually says these words and decide which meaning is intended.

1. As a merchant bank we cater solely for corporate customers...
  - a) ...and only for corporate customers.
  - b) ...and other types of bank cater for other customers.
2. The method, the main method for raising long-term funds in recent years...
  - a) ...although there are also other, less important methods.
  - b) ...although earlier, things were different.

3. So, that's where the source of long-term money has come...
  - a) ...and not from anywhere else.
  - b) ...but short-term money has come from other sources.
4. You would then decide whether you wanted to finance the whole of it yourself...
  - a) ...and not before.
  - b) ...or just part of it.
5. So, the customer probably wouldn't have a direct contact with those other banks...
  - a) ...but our bank would have direct contact.
  - b) ...because all his contact is with us.
6. We would have a lot of advisory conversations with the customer...
  - a) ...too many conversations, in fact.
  - b) ...in order to make the situation quite clear for the customer.
7. We would advise our customer to wait...
  - a) ...but we cannot stop him if he wants to go ahead.
  - b) ...and not to do anything just now.

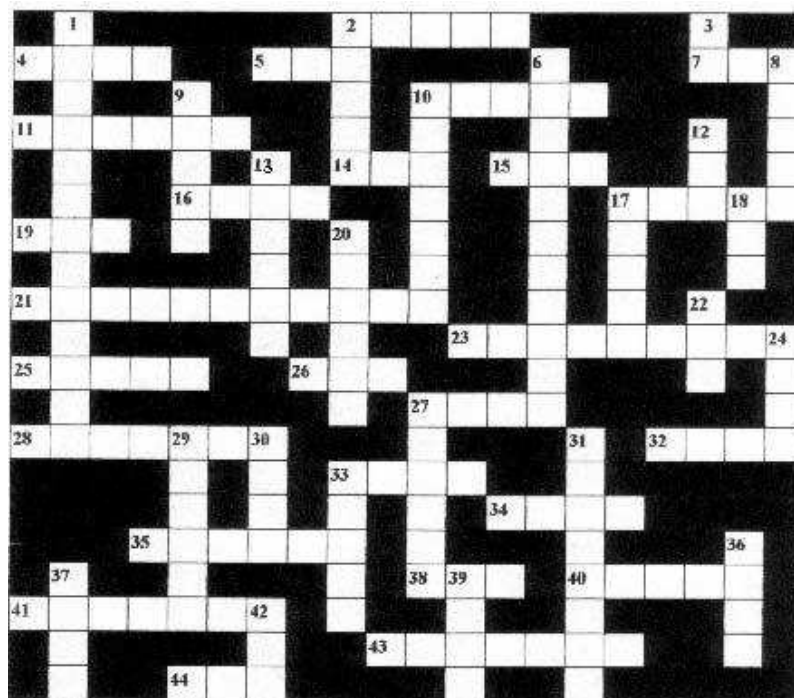
## **Section C**

### *C 1*

Look through the following statements and on the basis of the information in the telex say whether they are true or false.

1. It is not made clear that Key Commercial has been authorized to act on behalf of the State Power Board in rising this loan.
2. Key Commercial is itself providing at least USD 50 million of the total loan.
3. The full contract value is approximately USD 294 million.
4. The loan is without security.
5. The loan will be repaid in full by 20 September 1999 at the latest.
6. The interest rate on the loan may be different at different times.
7. Interest will be paid every six months, for the six months just gone.
8. A bank participating in the syndicated loan may provide USD 500.000.
9. Key Commercial finally decides how much each bank may provide.
10. A bank may look at the loan agreement before deciding whether to
11. participate in the loan.

## C 2

**ACROSS**

2. A very big company indeed. (5)  
 4. Period of increasing economic activity (4)  
 5. "Neither rose ... fell" (3)  
 7. Dutch Guilder. (3)  
 10. Industrial equipment and tools. (5)  
 11. The beginning. (6)  
 14. Public limited company. (3)  
 15. Month. (3)  
 16. German currency unit. (4)  
 17. Commodities such as sugar, coffee and cocoa. (5)  
 19. Gross National Product. (3)  
 21. Take part in. (11)  
 23. Offering to supply goods or services at a stated price. (9)  
 25. Income received from an investment. (5)  
 26. Deutschmark (3)  
 27. Amounts. (4)  
 28. Relating to results, e.g. for only part of a financial year. (7)  
 32. Prices did not rise. In fact they went... . (4)

- 33. Opposite of rise. (4)
- 34. Document promising to pay a sum of money at a special time. (4)
- 35. An area of business activity. (6)
- 38. Years. (3)
- 40. Extents of movement, e.g. "within a 2 pounds price". (5)
- 41. Period of three months. (7)
- 43. A disappointment and difficulty. (7)
- 44. "...a 1990 high of \$ 44.25 to an all-time ... of \$ 10" (3)

**DOWN**

- 1. Papers relating to a business deal. (13)
- 2. Several companies joined together, owned by one company. (5)
- 3. Billion. (2)
- 6. A series of regular part payments. (11)
- 8. Products not services. (5)
- 9. Conditions of contract. (5)
- 10. Agreement combining several matters. (7)
- 12. French franc. (3)
- 13. A loan. (6)
- 17. A financial interest in a company. (5)
- 18. A metal. (3)
- 20. The parts into which the ownership of a company is divided. (6)
- 22. An offer to buy, at a stated price. (3)
- 24. An increase. (4)
- 27. Only, entirely. (6)
- 29. Turn down, say no to. (6)
- 30. Majority. (4)
- 31. Legal agreement. (8)
- 33. Foreign exchange. (5)
- 36. To act, to do business. (4)
- 37. Very active. (4)
- 39. Price level paid for the use of somebody else's money. (4)
- 42. Angry argument. (3)

## UNIT 9. TRENDS

Banking has faced considerable external change over recent decades, and major changes have taken place in the industry itself. Developments have been many and rapid. One of the most important developments during 1980s was the growth of international debt problems, a situation which had begun to evolve in the previous decade.

In addition to the growth in the financial needs of large companies, government agencies around the world also formed an area of growing demand for finance in the 1970s. International banks assisted countries with balance of payments difficulties, that is those which were importing much more than they were exporting, by lending them large sums of money, and this assistance increased after the sharp rise in oil prices in 1973, since the higher prices meant even greater balance of payments problems for some countries. Banks were at this time able to lend out more money, deposited with them by oil producing countries, to countries with payment deficits. Some leading banks committed sums which exceeded their capital and reserves, ignoring the principle of a well-spread loan portfolio.

During the 1980s, however, high interest rates and world recession prevented several countries from meeting their repayment obligations. Banks have had to reschedule loans, that is arrange for interest payments and repayment installments to be delayed, and the debt crises, as it has been termed, has put banking in the industrialized countries under a certain amount of strain. Some observers see the financial strength of the banks as now depending on the financial strength of the debtors.

In this way, they claim, the debt problem threatens both the development of the debtor countries and the stability of the banking system of the industrialized world.

A second challenge faced by banks recently is the increasing competition from other organizations, both in terms of numbers and in the range of financial services offered. Banks generally very closely regulated, examined, restricted and supervised, making it sometimes difficult to meet new competition from institutions operating under different regulations, such as insurance companies. Laws and regulations restraining the activities of banks and other financial organizations have been changing, and continue to change. One example in the UK is the so-called Big Bang, which in 1986 deregulated the traditional procedures for dealing in the UK securities. The changes taking place in the financial services industry are not confined to any one country, however, and innovation and development are contributing to general market evolution, both nationally and internationally.

A third trend in banking during recent years has been the growth in the application of technology in the industry. Accounting records are maintained with the aid of computer systems, where ledgers were once kept by hand. Messages can now be transmitted and funds can be transferred around the world electronically in a matter of moments. Dealing rooms often use the latest technology, with electronic hardware and software providing the essential data. The information systems used may include a transaction input capability, an interface with main office systems, large high resolution colour displays, and so on, to provide the up-to-the minute data on which effective trading decisions are based. While electronic systems reduce time and paper, they do involve certain risks, such as those of computer system failure and fraud. Security operations in both cases are therefore of vital importance to modern banks. If a system breaks down, it is imperative that information is not lost. With large sums of money being sent around the world electronically, it is also imperative that banks prevent outsiders or unauthorized users from penetrating their systems and diverting funds for their own use. One professional survey in the UK in the mid-1980s estimated that computer fraud involving funds transfer in the UK totaled some 50 million pounds a year.

Banking services offered to the general public are also becoming increasingly automated, as banks try to reduce their costs associated with branch over-the-counter transactions, such as personal costs.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 9. Trends

International banking is a dynamic business and the changes are fast and many. What are some of the main trends? What does the future hold? In this unit we hear different bankers about important trends in some areas of banking and financing.

### Section A

#### A 1

With regard to banking in your country:

1. What are the two biggest problems?
2. What have been the two most important developments in recent years?
3. What important changes will take place in the next few years?

#### A 2

Working with the partner, make a brief list of debt-related problems experienced by debtor countries. Then listen to Robert Aguda, who is the governor of a central bank in Africa, outlining some of the problems facing developing countries. Tick those items on your list which Robert mentions.

#### A 3

Look through the following summaries of Robert's talk and say how you think each one finishes. Then listen to him again and check your answers.

1. The enormous economic problems facing developing countries mean that...
2. If something is not done about the debt problems of some developing countries...
3. Robert's country doesn't like taking loans because...
4. If the external debts of the big Latin American countries were written off...
5. In Africa, external debts are much larger...
6. If the debts of the African countries were written off...
7. What the poorer countries of Africa need is...
8. There should also be a world-wide dialogue in order to...
9. A plus for some developing countries is...
10. High interest rates mean that...
11. These problems need special attention to...

#### A 4

Here are seven short sentences from Robert's talk. Each is followed by two statements that might be understood from his words. Listen to how Robert actually says these words and decide which meaning is intended.

1. Indeed recent forecasts by the IMF, the OECD and the World Bank are all far from encouraging ...
  - a) ... although previous forecasts were more optimistic.
  - b) ... and give very little hope for the future.
2. We ourselves are very reluctant to borrow from the markets ...
  - a) ... although other countries are less reluctant.
  - b) ... and try never to do it.
3. We have only to look at the debts service costs ...
  - a) ...to imagine the problems which they involve.
  - b) ... not to mention the total costs of repayment.
4. I believe that over 100 % of export earnings are required ...
  - a) ... Although I am not sure about this.
  - b) ... and this is a very large figure indeed.
5. I think that there should be a global dialogue in order to combat inflation ...
  - a) ... instead of just a few countries talking about it.
  - b) ... instead of adding to it.
6. And this is, if you like, a plus for some developing countries ...
  - a) ... instead of disadvantage.
  - b) ... but not for the industrialized countries.
7. These problems need very special attention.
  - a) ... but there are other problems that we can leave till later.
  - b) ... no other kind of attention will help matters.

## **Section B**

### *B 1*

Here are five general steps which Ed Walker, whom we met in Units 1 and 2 says his bank has taken to meet the debt crisis. As you listen to his presentation, number the steps in the order that Ed actually mentions them.

- ..... Conversation of short-term debt into a long-term debt.
- ..... Placing of some of the largest international loans on non-accrued status.
- ..... Increase of reserve for credit losses to \$ 650 million.
- ..... Restructuring amortizations and maturities of medium-and long-term debt.
- ..... Search for solutions on an individual country basis and for ways of structuring the debt



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**B 2**

What did Ed say? Look at the list of statements below. Some are summaries of statements actually made by Ed in this section and others are not. Listen to the presentation again and put a tick (✓) against those statements that are summaries of what Ed did say.

1. The debt-servicing problems of the developing countries are going to be with us for some time to come.
2. Cybulski Bank is more affected than most other major banks by the debt-crisis.
3. Banks are having to increase their capital-to-loans ratios.
4. The debt crisis is not confined to one country or even to one region.
5. Two thirds of the bank's credit losses last year were on international business loans.
6. Cybulski wants to help debtor countries to service their debt and to take further loans from the open market.
7. Public sector debt forms two thirds of Cybulski's outstandings of \$ 950 million to Westina.
8. Interest rates of Westina's public sector debts to Cybulski are now based on LIBOR rates instead of Prime rates.
9. There are three countries with liquidity problems where the bank has outstandings which are larger than one per cent of its assets.
10. Approximately half of the bank's outstanding loans have maturities within one year.
11. It is important that an effective solution to the debt crisis is found soon.

**B 3**

Write down the words that Ed actually uses in place of the underlined words. Listen again to his presentation if you need to.

1. ... is that of the difficulties in repaying money which is owed, together with the interest charges ...
2. ... our own position of risk is less than ...
3. ... to increase our reserve for money lost on bad debts ...
4. ... in 1990 we set aside for this purpose something like 600 ...
5. ... a lot of money being used to increase the proportion of financial resources to the amount of money lent ...
6. ... to look for answers on an individual country basis.
7. ... the economic performance of countries which owe money ...
8. ... including the use of low interest rates given for a special reason ...
9. ... we've placed them in a position where they no longer increase because of the addition of interest.

10. The repayments and dates when repayments become due ...
11. we have loans which haven't yet been repaid of 900 ...
10. ... and the remainder of which is to industrial and commercial firms which obtain loans and which are not state-owned.
11. We've recently completed business discussions to work out a deal...
12. ... have been adjusted down from the base rate on corporate loans at big US commercial banks plus two per cent ...
13. ... To the average interbank offered rate for deposits in the London market ...
14. ... one of three countries with difficulties in meeting financial commitments ...
15. ... outstandings which are greater than one per cent of our complete worth ...
16. What the effects of this situation are going to be for the banks which have given loans ...

## Section C

### C 1

1. Look at the newspaper report and choose the best headline for it from this list.

***Northland deregulates financial markets***

***High interest cheque account offered***

***Stockbrokers expand***

***Moves announced***

Stockbrokers Nelson and Hurst have received a Central Bank licence to take....., and are thus adding.....banking services to their broker..... . The company plans a high interest call account for.....customers, on which rates will be..... to overnight interest rates in the money markets. A high interest cheque account is to be..... for personal customers. The..... is one of several announced by different companies this week, as financial institutions..... for the deregulation of Nort-land's financial markets next year.

2. Fill spaces with appropriate words from the box.

prepare	deposits	loans
linked	limited	offered
operations	move	corporate

### C 2

Colin Anderson, the chairman of a British clearing bank,talks about the changes in the banking system at a seminar.

1. Is Colin talking about changes that have already started or ones that he believes will begin in the future?
2. Do you think that Colin is positive or negative about the changes he is talking about.

## C 3

Below you see some notes taken at the seminar. Unfortunately not all of them are accurate. Listen again to Colin and find out what the errors are.

Seminar Changes in institutional boundaries in the financial services industry.

Likely to bring about a lot of changes. Probably more important than abandonment of exchange control in 1979. Changes so far limited to USA and UK, where there are two main trends:

1. formation of big financial conglomerates
2. securities houses offering something close to nationwide banking facilities.

Changes in UK likely. UK invisible earnings generally good, especially banking and insurance. UK facing competition from newly industrialized countries UK oil and gas limited, but UK neglects financial services as an important source of income. Must develop them to replace some manufacturing industries in decline.

## C 4

Match the words and phrases in the left-hand column with the definition in the right-left column.

1. topic	<b>A</b> Meeting to exchange information and to discuss
2. seminar	<b>B</b> Main points of interest.
3. trend	<b>C</b> Borders or limits which have existed for a long period of time.
4. barriers	<b>D</b> Income from the export of services.
5. statutory means	<b>E</b> Ways connected with laws.
6. abandonment	<b>F</b> Not to give attention to.
7. substantial	<b>G</b> Financial organization which provides long-term loans against the security of the borrower's property.
8. peculiar to	<b>H</b> Very large.
9. financial conglomerate	<b>I</b> Amount of income which is higher than the amount of money spent.
10. retailing group	<b>J</b> Activities in the buying and selling of land and buildings.
11. securities & commodities trading house	<b>K</b> Group of companies which sells goods to the public.
12. legislation	<b>L</b> General development or movement.
13. operations in real	<b>M</b> Growing weaker.
14. invisible earnings	<b>N</b> Things which maintain separation.
15. surplus	<b>O</b> Laws.
16. to neglect	<b>P</b> Giving up of something
17. primary concerns	<b>Q</b> Subject, thing to be discussed.
18. in decline	<b>R</b> Found only in.
19. traditional demarcations.	<b>S</b> Group of financial companies of very different kinds.
20. building society	<b>T</b> Company dealing in investments and raw materials such as sugar and cotton

## C 5

Each of the phrases which are in italics fulfils a particular purpose. Match the phrases to the purpose.

1. <i>As my theme for this seminar</i>	A. Stating a point of view, I have chosen...
2. <i>...by which I mean</i> the trend towards	B. Explaining a word or an idea.
3. <i>I believe</i> that the consequences of this trend...	C. Listing or enumerating.
4. It is, <i>as we will see later</i> , already under way...	D. Leading to a logical conclusion.
5. <i>First</i> , we have seen...	E. Indicating that a point will be developed later
6. <i>At the same time</i> , securities houses have...	F. Changing focus or direction.
7. <i>One of our primary concerns</i> must be to...	G. Emphasizing an important topic or interest
8. <i>It is for these reasons that</i> changes in	H. Stating something already widely known.
9. <i>I would like now to turn to</i> events...	I. Indicating one event happening with another
10. <i>You will of course already know...</i>	J. Introducing the topic.

## Section D

## D 1

As preparation for the listening activities which follow, choose the best definition for the words in italics.

1. **Debits** are:
  - a) sums of money owed by one person to another;
  - b) records of money paid into a bank account;
  - c) records of money taken out of a bank account.
2. **Credits** are:
  - a) plastic cards used instead of money;
  - b) sums of money paid into a bank account;
  - c) the amount of money in a bank account.
3. The **bank's books** are:
  - a) useful lists of customers' addresses and phone numbers;
  - b) plans showing how much money the bank expects to earn and spend;
  - c) a set of records in which the bank's accounts are kept.
4. If information is available **real time**, it is available:
  - a) on a terminal very soon after being entered into the system;
  - b) at the same time on a number of terminals linked to a central system;
  - c) at any time of the day or night.
5. A **visual display unit** (VDU) is:
  - a) a small screen that is linked to a telephone and the telephone network;

- b) a screen which shows information from a computer;
  - c) a machine which shows transparencies.
6. If data is **stored on line**, it is:
- a) ready for immediate use on a central computer;
  - b) kept on equipment that is not linked to a central computer;
  - c) kept for a short time only.
7. A **database** is:
- a) the place where a company keeps its main computer;
  - b) a room with a lot of computers in it;
  - c) a large collection of data stored in a structured form.
8. **Suggestions** are:
- a) statements about what should be done;
  - b) public notices about goods or services to sell;
  - c) formal notices giving the receiver information about a business transaction.
9. An **interface** is:
- a) the connection link between two computer systems;
  - b) a place where someone sits to work with a computer;
  - c) a system where two or more texts can appear on the screen at the same time.
10. **Enhancements** are:
- a) changes;
  - b) improvements;
  - c) decreases in size.
11. To **quote** prices is:
- a) to state what the prices are;
  - b) to decide what the prices are;
  - c) to say what you think the prices will be.
12. The **bank's exposure** is:
- a) how much financial risk the bank is open to;
  - b) how much advertising the bank does;
  - c) how much the bank earns.
13. If A is on a **par with** B:
- a) A is not as good as B;
  - b) A is better than B;
  - c) A is equal with B.
14. **Back-up systems** are:
- a) groups of people who maintain and operate a computer system;
  - b) systems which control the running of computers;
  - c) systems for copying computer files in case the originals are damaged.

- 
15. **Contingency planning** is about:
- what to do if things go wrong unexpectedly;
  - how much money to earn and spend;
  - how much money to put into bank reserves.
16. A **network** (here) is:
- a program which instructs a computer what to do;
  - a number of computers in different places;
  - a number of computers that are linked for shared use.
17. **Fraud** is:
- the crime of stealing money by breaking into a safe;
  - the crime of gaining money by dishonesty;
  - the crime of stealing computers.
18. **IC cards** are:
- identification cards;
  - intelligent chip cards with built-in memories;
  - cards with holes in them which represent data.
19. **ATM withdrawals** are:
- sums of money transferred to an account electronically;
  - sums of money taken out of a bank account via an automatic telling machine;
  - statements issued by an automatic telling machine.

## *D 2*

Read the text about electronic banking and then:

- Say whether it is mostly about equipment or about systems.
- Say how many branches are connected to the bank's network.
- Choose what you consider to be the biggest benefit provided by the bank's products.

Quintorp, one of the Northland's leading bank, is to begin exporting its computerized banking systems to the USA, Europe and the Far East. The bank which is well-known for being at the forefront of electronic banking, is confident that there is a worldwide market for its state-of-the-art solutions to the rapidly changing needs of international banking. "What we intend to do", says Managing Director John Seddon, "is to make available the bank of tomorrow, that a one-location bank which can meet all banking needs, business and retail, on the spot, by means of banking know-how combined with advanced computer technology".

Quintorp's rise to electronic market leadership began in 1985, when it established a subsidiary company, Quintorp Computer Services, for the sole purpose of selecting hardware, developing sophisticated software applications and building a comprehensive on-line network for the bank. All of the bank's 260 domestic branches have been connected to the network since 1989, shortly after which the key branches abroad in London, Hong Kong and Bermuda went on-line. The bank's other international branches in 21 countries were linked to the network in 1990. More than 2000 AJS/500 terminals have been installed in the network, with control and data being concentrated at the host site.

Among the real-time software packages which the bank has designed and operated, and which is now intends to market, is the Sylvia system. This integrates a dealing function, global interbank telex and telecommunications systems, a branch system including management, clerical and teller functions and an ATM function. A notable application module in the Sylvia system is the dealing room package, which aids dealer performance by providing currency positions and other real-time data such as cash flow management and automatic confirmation of deals.

A portfolio and trust management system is also available, which includes a securities facility providing an on-line real-time connection to the Northland stock exchange. Purchases can be made via a terminal, and the whole operation is paperless. A feature which Quintorp is developing as part of its concept of tomorrow's bank is a display service whereby corporate customers will be able to interface personal computers directly with the bank's network by means of the telephone line and a modem. The up-to-the-minute information thus available will include direct linking facilities via the modem to domestic and foreign stock exchanges. The bank's priority investments in electronic banking have produced what Seddon describes as "advanced equipment and systems, which have facilitated increased administrative control, rationalization of clerical duties, and expanding information gathering capabilities, all of which means quicker, more reliable, and increased customer services". Potential purchasers of the bank's electronic products could do worse than look at the impressive growth in Quintorp's earnings during recent years.

### *D 3*

1. What are the general trends in banking and finance in your country?
2. What are the trends in your bank or organization in particular?