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Business English for Finance

Pr. H. SIMOUR

Enseignant Chercheur,
Ecole Supérieure de Technologie
email: simourphd@gmail.com

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Personal Banking

1. Designed for the Internet

Before you read

1. Which of the following does your bank offer?
 - a) Branches in every town
 - b) telephone banking services
 - c) Internet banking
2. How do you usually manage your account?
 - a) Visit the local branch
 - b) By post
 - c) by phone
 - d) on the internet
3. Would you like to change the way you bank? Why? /why not?

Reading tasks

A- Identifying general content

Read the text on the opposite page about an internet bank and match the sub-headings (1-6) with the extracts (a-f).

1. Transfer cash out conveniently & easily extract e
2. Designed for the internet, not the high street
3. Opening an account is simple – it only takes an instant
4. Manage your finances the easy way
5. High interest rates
6. Your money is safe with us

B- Understanding details

Mark these statements true (T) or F (False) according to the text. Find the part of the text that gives the correct information

First-e...

1. Had a prestige high street address in every town. F
2. Offers high interest rates on savings .
3. Lets you open an account without the need for paper documents.
4. Allows you to transfer funds on-line .
5. Doesn't make any bank charges to it's customers .
6. Takes 3 days to transfer funds from one first-e account to another
7. Offers customers a cheque book.
8. protect customer security using encryption technology .

Open an Account Today

customer log in savings current account investment account

a)..... Next time you're in a high Street Bank, look around you and think how much it must cost to run – a prestige address, a nice office for the manager, lots of staff and glossy leaflets. You might as well enjoy it – because you're paying for it. With first-e, overheads and bank charges just don't apply. This means better interest rates for you.

b)..... first-e offers high interest on every pound you put in. We accrue interest daily and pay it monthly, without deducting tax as long as you fill in the form we give you.

c)..... We use the most advanced and secure systems available to protect your assets – so your money is just as safe as it is in a high Street Bank. A number of sophisticated security layers including advanced encryption technology are used to protect all first-e customers.

d)..... all you have to do is :

1. Complete and submit the on-line application form.
You will then receive a confirmatory e-mail. As soon as you receive this e-mail, you will be able to access your account and transfer money from your current bank account.
2. Print, sign and post the relevant documents to us.

Once we have received these documents, we'll confirm without delay that your account is fully active.

e)..... You can transfer funds on-line from one first-e account to another – easily, instantaneously and without charge. Similarly, you can use the on-line transfer facility to transfer funds to and from another bank account in the UK, free of charge.

Transfers to another bank normally take three working days to complete.

Note that we do not currently accept cheques for the first-e savings account.

Handling cheques is a slow and expensive practice. By not processing cheques, we can pass the savings straight onto our customers.

f)..... we've all stood in bank queues trying to find a deposit slip and fill it in while we're standing up with a biro on a chain that doesn't work. We've all tried in vain to get an appointment with some junior manager for an overdraft.

First-e aims to change all of that, and make banking easy and convenient. We've done everything we can to make our services as friendly and simple as possible.

Vocabulary tasks :

A. Definitions :

Match these terms with their definitions.

- | | |
|------------------|---|
| 1. Overheads | a) money kept in the bank to earn interest |
| 2. Bank charges | b) money spent on the general running of a business, not related to producing goods or selling services . |
| 3. Interest rate | c) What customers pay the bank in return for its services |
| 4. Assets | d) Arrangement that allow customers to take out more money from their account than they have put in. |
| 5. Savings | f) Funds belonging to an individual . |
| 6. Overdraft | |

B. Synonyms:

Find a word or phrase in the text that has a similar meaning .

1. Put money into your account
2. Fill in a form .
4. As soon as possible .
3. Present
5. Money in your account
6. Free

C. Opposites:

Choose the best explanation for each of these phrases from the text.

1- Glossy leaflets.

- a) Advertising material printed on expensive paper
- b) Attractive plants used to decorate a bank or office .

2- We accrue interest daily

- a) Interest is added to your account each day
- b) The bank earns interest on your account each day.

3- Encryption technology.

- a) Writing data in a code that people can not access.
- b) Using computers to transfer funds quickly .

4- Relevant documents :

- a) Documents the bank sent
- b) Documents that have been signed

5- Deposit slip :

- a) Envelope your money in when you pay cash into your account
- b) Form you complete when you pay money into your account

6- In vain :

- a) Taking a lot of time and effort
- b) Trying hard but without success

D. Collocations :

Match the verbs and nouns as they occur in the text .

- | | |
|-------------|-------------------|
| 1. Offer | a) Funds |
| 2. Duct | b) Interest |
| 3. Fill in | c) An account |
| 4. Protect | d) A form |
| 5. Open | e) Assets |
| 6. Submit | f) Cheques |
| 7. Transfer | g) Tax |
| 8. Accept | h) An application |

E. Use an appropriate phrase from Exercise E to complete each sentence .

- 1. The bank "Offers interest" of 5% on all deposits.
- 2. The customer was asked to..... And hand it in at the desk .
- 3. In order to reduce costs, many internet banks don't.....
- 4. With internet banking, it's possible to..... On-line from one account to another .
- 5. To apply for a job, or to open a new account , you have to
- 6. Many people at a bank when they start their first job .
- 7. Interest is paid gross, wich means that the bank does not.....
- 8. Customers needn't worry about security, the bank used sophisticated encryption technology to Their.....

F. Discussion and Writing activity

- 1. Make a list of the advantages and disadvantages of internet banking. Discuss it with a partner .
- 2. Visit the first-e website at www.first-e.com and see what other information you can get about the bank .
- 3. Make a comparison between first-e and any bank that offers internet banking services in your country.

2. Electronic Cash

Before you read

1. When you go shopping in your country, how do you pay for goods ?
2. List all the payment options you can think of.
3. Which of these ways to pay is most secure from point of view of avoiding loss or theft of your money

Reading tasks

A. Identifying general content :

Match the sub-headings (1-6) with paragraphs (a-f) in the text on the opposite page.

1. Mondex purse
2. Mondex point-of-sale device
3. Lock
4. Mondex balance reader
5. Mondex wallet
6. Mondex telephone.

B. Understanding main points

Mark these statements T (true) or F (False) according to the information in the text . Find the part of the text that gives the correct information.

1. Mondex can be used to pay goods and services . T
2. Shopkeepers can be paid without delay.
3. You need to sign to authorise payment.
4. To check how much money onto your card using a special telephone .
5. Money can be transferred in or out of your bank account 24 hours a day.
6. Mondex can only be used to pay money to businesses account 24 hours a day.
7. Mondex can only be used to pay money to businesses such as shops or service providers.
8. A disadvantage is that you cannot record the transactions you have made.
9. You can protect your money from thieves by using a 'lock code '.

Mondex Electronic Cash

Mondex is electronic cash, stored securely in a smart card. For consumers, Mondex offers all the convenience, control and flexibility of cash in the familiar form of a card.

Retailers will receive funds immediately without the need for authorisation or settlement when consumers pay for goods and services with a Mondex prepayment card. The receipt of value in a Mondex transaction is as immediate and certain as ordinary cash – but Mondex value can be banked easily at any time of the day or night.

Mondex complements credit and debit cards, delivering new levels of efficiency, cost-savings and marketing opportunities for all retailers and service providers.

a).....

In the new Mondex payment system, monetary value is stored in an integrated circuit (IC) chip known as the electronic purse. μ Purses are used by all participants in the system – personal cardholders, retailers, service providers and banks.

For personal cardholders the purse will be a standard, plastic IC card. This can be loaded with electronic value via a Mondex telephone – bringing a new dimension in money management and electronic cash transactions – or in much the same way as cash is currently obtained, for example from a cash machine or a bank branch.

b).....

to check how much money remains on their card, all cardholders will receive a Mondex balance reader – a small lightweight device in the form of a key ring.

c).....

When paying goods or services, the exact amount is simply transferred from the card to the retailer's – just like cash.

d).....

Telephones will be especially adapted to enable cardholders to access their bank account at any time; to withdraw or pay-in value down the telephone line, in order to pay immediately for goods and services from a retailer, send and receive money to or from friends and family. For a retailer, a Mondex telephone means that value can be deposited directly into their account at any time of the day and night.

e).....

The Mondex wallet will make person-to-person payments possible. Electronic cash can be transferred between any Mondex card and a separate purse held in the wallet. The wallet will also read the balance on the card and/or the wallet and maintain a log of the last ten transactions.

f).....

Mondex electronic purses contain a 4-digit 'lock code'. By pressing the lock key on devices such as a wallet or telephone, the cardholder's money is kept secure and their transactions private.

Vocabulary tasks

A. Write these words and phrases in the appropriate columns.

Retailer purse convenience make a payment bank withdraw deposit cost-savings
 service provider telephone POS device security reader flexibility transfer money

Participants	devices	benefits	transactions
Retailer	purse	Convenience	make a payment
.....
.....
.....

B. complete the sentence

Use an appropriate word or phrase from exercise A to complete each sentence.

- Electronic money provides more Security than cash because the lock function makes it difficult to steal.
- The.....is used by the retailer to receive payment from customers.
- A company that offers a service is called a
- When you pay money into your bank account , we say that you make a
- The Mondex system offers..... because it is easy to use. Also the wallet and reader are not heavy to carry.
- Mondex is used to between personal cardholders as well as from consumers to retailers.

C. Complete the sentence

Use and appropriate word of phrase from Exercise A to complete each sentence.

- When you pay by credit card, you must sign the payment slip to authorize the payment.
- The number 4791 consists of four d.....
- Once you have s..... your debts was £100. I have now paid out £40, so £60 remains.

D. word search :

Find a word or phrase from the text that has a similar meaning.

- Amount of money (para2) funds
- Ads to (para 3) C.....
- ATM (para 5) C..... m.....
- Not heavy (para6) l.....
- Record (para 9) l.....

E. Collocations :

Match these verbs and nouns as they occur in the text.

	Money	Goods or services	Your bank account	The balance of your account
Pay for	X	✓	X	X
Access				
Withdraw				
Read				
Deposit				
Transfer				
check				

F. Linking :

Match the first half of each sentence with the most appropriate second half.

- | | |
|--|--|
| 1. Using the Mondex telephone you can Withdraw money | a) In the IC wish is known as a purse. |
| 2. Retailers can deposit money | b) Into their account at any time |
| 3. Retailers can use the Mondex system to receive payment. | c) To friends and family. |
| 4. The wallet can be used to transfer funds | d) From your account. |
| 5. Electronic cash is stored | e) from customers. |
| 6. You can send money over the telephone | f) Between any two personal cardholders. |

Discussion and writing activity

- Imagine you are a banking officer talking to a bank customer. Explain how Mondex works.
- Either orally or in writing, describe the benefits of the Mondex system for
 - Retailers
 - Consumers
- Compare smart cards such as Mondex with
 - Credit cards or debit cards.
 - Cash.
- Describe a similar payment system wish you are familiar with.

3. The One account

Before you read

Discuss these questions.

1. What kinds of bank accounts are offered by the banks in your country?
2. What is a mortgage? How do people usually arrange and repay their mortgages?
3. Do you think bank customers are happy with the way their bank accounts and mortgage are handled? What could be done to improve the system?

Reading tasks

A. Understanding main points :

Mark these statements T (true) or F (false) according to the information in the text on the opposite page. Find the part of the text that gives the correct information.

1. Combines savings and debts in the same account .
2. Cuts the cost of borrowing.
3. Pays higher interest than ther accounto
4. Provides you with a chequebook and bank cards.
5. Limits the number of withdrawals facility of thousands of pounds .
6. Offers you an agreed overdraft facility of thousands of pounds .
7. Requires that uou pay off your mortgage in fixed regular instalments .
8. Requires you to pay salary into it
9. Sets a fixed term for your mortgage repayment .
10. Allows you to pay off your mortgage whenever you want .
11. Is only offered to married couples
12. Calculates interest on a adaily basis .

B. Understanding details :

A potencial customer asks questions about the One account . Find the answers .

1. My house is valued at £50.000. Can I borrow £60.000 ? . No
2. My house is valued at £50.000. I need an 80% mortgagge. Can I borrow an extra £10.000 ?
3. I plan to retire in 20 years . Can I have 25 years to pay off my morttagge ?
4. I want to pay off some of the capital on my mortgagge early . Will you credit the repayments immediately ?
5. I want to pay off some of the capital on my mortgagge early . Do you make a charge for this ?
6. If interest rates go up , does that mean I'll have to pay more?

It's all for One – and One for all

Virgin's new account gathers all the elements of the personal finance jigsaw into one complete picture, explains **Roger Anderson**

Most people will spend most of their life owing other people money. They do not realise that they can save money (sometimes quite a lot) by consolidating their income, savings and debts into a single bank account.

This, of course, is not the traditional way that people run their personal finances, with salaries going into one account, savings into another and a completely different arrangement to pay off the mortgage.

The One account allows you to put your savings and borrowings together, keeping the cost of your borrowing to a minimum.

When you open a One account, you negotiate an overall borrowing facility that can represent as much as 95% of the value of your home. Thus a couple with a £100,000 house – and needing an 80% mortgage – might set up a loan facility of £95,000, giving them an additional £15,000 to call on when required.

Once the lending facility has been agreed, you can dip into it whenever

you want and, equally important, pay it off however you choose. You must satisfy the bank that you will have repaid the debt by the end of an agreed term, such as 25 years. The main proviso is that you must have repaid the debt by the time you retire.

Your salary must be paid into the account and you must pay interest (which is calculated daily) at a current rate. At the same time, the One account is run like an ordinary bank account (you get a chequebook and bank cards and there are no restrictions on the number of withdrawals).

On the face of it, only a fool would put his money into one bank earning interest at, say 6%, and then borrow the same amount from another bank at 10%. But this is precisely what most people are doing – they are funding mortgages at rates much higher than they are getting for their savings. And for much of the time, they are not getting any interest at all on money in their ordinary bank accounts.

Most borrowers have little choice about how to manage mortgage debt, other than to pay regular amounts prescribed by the lender. If they want to pay off capital early, they find that some lenders charge for this, while many lenders will not credit any extra capital repayments until the year end. This means that for most of the year interest is being charged as if for a loan that is bigger than the one that actually exists.

Take, for instance, a mortgage of £60,000, repayable over 25 years at an interest rate of 8.55%. Your typical loan repayments would be £490 a month. If, however, your repayments were taken into account the moment they were made, you could repay your loan 11 months early, saving more than £5,000.

Where you can really start eating into your debt is by having your salary paid into your mortgage account. As salaries rise – and you can afford to repay more of your debt – the term of what, traditionally, would have been a 25-year mortgage can be cut quite dramatically.

From *The Sunday Times*

A. Complete the sentence :

Use an appropriate form of each word in the box to complete the text below .

Loan	owe	debt	borrow	repay	lend
------	-----	------	--------	-------	------

Joe took out a *Loan* so that he could buy a car . The car cost £10,000 and the bank agreed to him £8,000. About a year later, Joe lost his job and started to worry about his How could he it with no salary coming in ? Out of the £8,000 that he had originally, he still more than £5,000.

B. Word search :

Find a word phrase in the text that has a similar meaning .

1. Ongoing opportunity to get extra credit without asking the lender (para4)
..Facility .
2. Period of time in with a moan must be repaid (para 5) t.....
3. Rate of interest wich is set at the present time (para 6) c.....
r.....
4. Action of taking money from your bank accoun (para6) w.....
5. Money wich you deposit with a bank , wich earns interest for you (para 7)
S.....
6. If you can do this , you are able to pay for something because you have
enough money (para9) a.....

C. Understanding expressions :

Choose the best explanation for each of these words and phases from the text .

1. Consolidating (line 6)
 - a) Putting eveything together .
 - b) Making everything more secure .
2. Call on (line 27)
 - a) To be available
 - b) To be agreed by telephone
3. Dip into it (line 29)
 - a) Take all of it at once
 - b) Take part of it at any time
4. Main proviso (line 35)
 - a) The main point
 - b) An important restriction
5. On the face of it (line 47)
 - a) It seems abvious
 - b) At the present time
6. Prescribed (line 62)
 - a) Fixed
 - b) Suggested
7. Eating into (line 80)
 - a) Rappidly reducing
 - b) Gradually reducing

D. Writing

Imagine you are a customer, write a letter to your bank asking for answers to the questions you would like to ask about the One Account

Corporate Banking

1. Companies and their banks

Before you read : *Discuss these questions*

1. What services does a company expect from its bank ?
2. What are services does a company expect from its bank ?
3. What are some of the differences between a loan and an overdraft ? compare your ideas with the definitions in the key .
4. When offering a loan or an overdraft, a bank usually demands security. What can a customer offer as security ?

Reading task : *Read these two letters from banks to their corporate customers .*

Letter A

Dear Mrs Phipps

Re: Retail Banking

On the attached you will find the Bank's proposed Schedule of Charges which will take effect as from 1st January, and will be reviewed annually.

We very much regret that we are unable to continue offering 'free banking' to our customers. This recent change of policy is due to increasing costs, and we feel that if we are to continue to maintain the professional level of personal service that we have always provided to our customers, we must now obtain a contribution to our expenses.

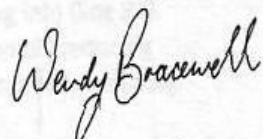
You will note that our charges are below the average levied by other UK banks, as we wish to remain competitive in this market.

The charges will be debited to your account monthly in arrears.

The minimum balance requirement for those accounts which are interest bearing has been reduced from USD 100,000.00 to USD 50,000.00 or currency equivalent. This reduction in the minimum balance requirement will therefore compensate for some of the charges which will have to be paid by yourselves.

If you have any questions concerning the new charges, would you please telephone either myself or my colleague, James Samuel.

Yours sincerely,



Wendy Bracewell, Account Manager

Letter B

Dear Sirs

Re: Banking facilities

The Bank is pleased to offer John Best Ltd (The Company) banking facilities on the terms referred to below but otherwise subject to normal banking terms and conditions.

Facilities

Withdrawals may be made under the following facilities provided that the total amount of withdrawals at any time shall not exceed the limit.

Overdraft limit: £35,000

Availability

The Bank may at any time discontinue all or any of the facilities and/or may demand repayment of all sums owing. The facilities are due for review in twelve months' time.

Interest rate

Interest on the overdraft facility is to be charged at 2.25% per annum over the Bank's Base Rate as published from time to time.

Fees

An arrangement fee of £120 will be payable.

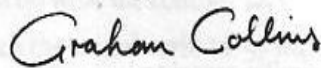
Security

The repayment of all monies owed in respect of the facilities will be secured by: Business Premises at 44 Park Road, Bristol.

All costs and expenses, as mentioned in the General Terms and Conditions attached to this letter, shall be payable by The Company.

To accept this offer, please arrange for the enclosed copy of this letter to be signed and returned.

Yours faithfully,



Graham Collins
BRANCH MANAGER

Understanding main points :

1. Mark these statements T (true) or F (false) according to the information in Letter A .
Find the part of the letter that gives correct Information .
 - a) The new charges will remain the same for 12 months.
 - b) The company didn't have to pay bank charges before .
 - c) The bank's policy has changes because the bank wants to be more competitive.
 - d) Other UK banks make lower charges .
 - e) The company will have to pay the charges in advance .
 - f) If the company's account balance is USD 55,000 they will be able to earn interest on this.
 - g) The company will be better off than before of the extra interest they will earn .

2. Mark these statements T (true) or F (false) according to the information in Letter B. Find the part of the letter that gives the correct information.
- According to the letter, the company can overdraw up to a maximum of £35,000.
 - The period for which the terms of this letter are valid is three years.
 - The bank has the right to stop the overdraft facility and ask for the money to be paid back before the end of this period.
 - Other than interest, there will be no charges to pay.
 - The overdraft facility will be secured by a property.
 - The contract which the company should sign will be sent at a later date.

Vocabulary tasks :

A. Word search .

- Find a word or phrase from Letter A that has a similar meaning .
 - Each year or every year (para1)
a.....
 - Keep something at the same level (para)
m.....
 - Fixed amount that has to be paid for a service (para 5)
f.....
 - Place where a company carries out its business activities (para6)
p.....

B. Understanding expressions :

Choose the best explanation for each of these phrases from the text .

- Monthly in arrears (letter A, para 4)
 - Payable at the end of the month . Correct
 - Payable at the beginning of the month .
- Interest bearing accounts (Letter A, para 5)
 - Accounts which are free of interest
 - Accounts which earn interest
- Facilities are due for review (Letter B,para3)
 - The money borrowed must be repaid
 - The bank is going to reconsider the contract
- Banks Base Rate (Letter B, para 4)
 - The key lending rate of banks in Britain
 - A rate fixed by the bank itself

C. Word study : Contract language

Subject to

This phrase is used to show which rules, regulations or laws have to be followed by the people signing the contract, e.g. This guarantee is subject to the laws of the state of New York.

Provided that

This means the same as if , but is very strong , and is common in contracts and means if and only if .

Shall

Shall is often used instead of will in contracts. It is very strong and means that the person signing must do what the contract says .

Match the modal verbs (1-5) with their meanings (a-e) . (Note: Not all the answers will be used ; one will be used twice)

- | | |
|--------------|---|
| 1. Shall | a) It is allowed under the contract |
| 2. Shall not | b) it is not allowed under the contract. |
| 3. May | c) It is an obligation |
| 4. May not | d) It is not an obligation |
| 5. Will | e) This shows what will be done in the Future . |

Discussion and Writing

- 1.** Imagine you are Mrs Phipps . Write a letter in reply to letter A , saying that your company is not happy about having to pay charges and you have decided to switch your account to another bank which does not make charges .
- 2.** Imagine you are the Managing Director of John Best Ltd, a company which makes office furniture. Your company has just won a new contract worth £400,000, but in order to carry out the work you need to buy new equipment and recruit extra staff. Write a letter to the bank and ask if you can increase the overdraft facility to £50,000 .

2. Globalisation

Before you read :

1. Discuss these questions .
 - a) What do you understand by the term global company ? can you give some examples ?
 - b) Wich companies do you know that have merged recebtly ?

Reading tasks :

A. Understanding main points :

Mark these statements T (true) or F (false) according to the information in the texts on the opposite page . Find the part of the text that gives the correct informatin.

1. Most of the big mergers between Swiss companies took place before 1996. F
2. The merger of Sandoz and Ciba was goo news for the Swiss banks
3. Investement banks earn a lot of money by giving advice on rstructuring
4. German companies are having to restructure because it is difficult to compete internationally with high costs at home .
5. Companies list on the New york stock Exchange in order to increase capital at minimun cost .
6. European companies traditionally use earnings per share as a way of estimating value to investore.
7. Valuation techniques such as TSR are only used in the USA .

Text B

Growth's financial complications

A company that seeks to extend operations around the world needs new financial structures to match, says **Martin Dickson**

When Hoechst, the Frankfurt-based chemicals and drugs group, listed its shares on the New York Stock Exchange, it was a symbolic acknowledgement that a company which aspires to be global in operations must also be global in its approach to finance.

Intensifying international competition and high domestic costs are forcing German businesses – among others – into radical restructuring and a much greater reliance

on global securities markets.

For funding their global ambitions, multinationals increasingly accept that to achieve the lowest cost of capital, they have to tap the international markets.

For many non-US companies, a vital element is an equity listing in the US, the world's most liquid and efficient market.

While most European companies still focus on traditional performance measures, US fashions are forcing them to look at new yardsticks, designed to measure

the value they are creating for investors, such as total shareholder return (TSR).

'If you're a global company, new valuation techniques are just something you have to take on board,' says Nick Pasricha of Ernst & Young's corporate finance practice, 'because a proportion of your investors are subject to that influence.'

FINANCIAL TIMES
World business newspaper.

Plenty of business for banks

Increasingly, big-ticket deals are being handled by foreign institutions

Switzerland is one of the world's most attractive M&A¹ playgrounds. It has several world-class companies with plenty of cash to spend on acquisitions and a rapidly restructuring corporate finance business.

Until a couple of years ago, the number of mega-deals could be counted on the fingers of one hand. But the market took off after 1996. That was the day Sandoz and Ciba, Switzerland's second and third biggest pharmaceutical companies, announced they were joining forces to create Novartis. Until then, it had been

unthinkable that two big Swiss companies, based in the same industry and city, would risk throwing thousands of people out of work by merging.

The idea of one giant Swiss chemical company, or one global insurer, is no longer unimaginable. However, the Ciba/Sandoz press release sent shock waves through the Swiss banking establishment. It revealed that Morgan Stanley had served as bankers for Sandoz and J. P. Morgan had acted for Ciba. The only Swiss bank involved was UBS, and it was given the minor role of banker for the Swiss stock market. Until then, Swiss companies had relied on their Swiss bankers to manage their deals.

The days when Switzerland's

most powerful bankers dominated the boards of Switzerland's most powerful companies are over. A banker's presence on a client's board could prevent an investment bank from winning new advisory mandates.

The restructuring of Switzerland's pharma and chemical industries has probably led to more investment banking fees being generated over the past couple of years than had been earned in the past century. More recently, the restructuring has spread to the financial services sector and much of the lucrative advisory work has once again fallen to non-Swiss banks.

FINANCIAL TIMES
World business newspaper.

¹ Mergers and acquisitions

B. Identifying general content

The split sentences below describe the changes that are taking place as a result of globalisation. Joining the first half of each sentence with the most appropriate second half.

- | | |
|--|--|
| 1. Global companies | a) Are taking place between large companies in the same industry |
| 2. Corporate financial services | b) Want to trade on the international securities market. |
| 3. Mergers and acquisitions | c) depend on local banks to manage their deals. |
| 4. If you are global company. | d) Present on the board of their client companies. |
| 5. Bankers are no longer | e) Are increasingly international. |
| 6. Large corporations are less likely to | f) you have accepted the new valuation techniques. |

Vocabulary tasks :

A. Complete the sentence :

Use an appropriate word from the texts to complete each of these sentences.

1. When a company makes an official statement that is published in the newspapers, this is called a p r e s s , r e l e a s e (Text A, para4)
2. If a company r o its bank , it means that it trusted it completely and would never us another bank , (Text A , para 4)
3. The directors of a company , the people elected by shareholders to carry on the management of that company , are often called b (Text A , para5)
4. Requests to a bank to act for company are called m (TextA,para5)
5. When a company offers its shares for purchase by the genral public, it gts a l on the stock exchange. (Text B, para 4)
6. A l stock market is one in wich investements can be tracked quickly and easily . (Text B, para 4)

B. Understanding expressions :

Choose the best explanation for each of these words or pjrases from the texts.

1. Mega deals (Text A , line B)
 - a) Mergers between very large campanies ✓
 - b) Small. Insignificant mergers
2. Took off (Text A , line 10)
 - a) Expanded suddenly
 - b) Cale to an end
3. Joining forces (Text A, line 13)
 - a) Fighting together to form a more powerful group
 - b) Coming together to form a more powerful group
4. Lucrative (Text A , line 55)
 - a) Earning lots of money
 - b) Earnung little money
5. Aspires to be (Text B, line 8)
 - a) Wishes to be
 - b) Already is
6. Tap the international markets (text B, line 30)
 - a) Get funds from the international markets
 - b) Follow the trends of the international markets
7. Yardstick (text B , line 30)
 - a) Ways to control something
 - b) Ways to measure something
8. Take on board (Text B, lin 36)
 - a) Resist
 - b) Accept

C. Prepositions :

Complete these sentences with an appropriate preposition.

1. Morgan stanley served bankers for Sandoz
2. J.P Morgan acted Ciba .
3. UBS was given the role Bankers for the Swiss stock market.

4. UBS was the only Swiss bank involved the deal .
5. Most European companies still focus Traditional performance measures.

D. Opposites :

Replace the underlines items with words from the text that have an opposite meaning.

1. Switzerland is one of the world's least attractive M & A playground . Most
2. The idea of one giant Swiss chemical company or one global insurer was easy to imagine .
3. The only Swiss bank involved was UBS, and it was only given a major role .
4. Much of the lucrative advisory work had fallen to Swiss banks .
5. Intensifying international competition and low domestic costs are forcing German businesses into radical restructuring .
6. Most European companies focus on new performance measures , such as profitability ratios and earnings per share growth .

E. Writing:

1. Discuss what role the banks play in corporate financing in your country .
2. Make a list of some of the problems that global companies have nowadays . (*You can include both those mentioned in the texts and others you know about*) . Discuss some of the solutions that companies are finding for dealing with these problems.

The Banking Industry

1. The European Central Bank

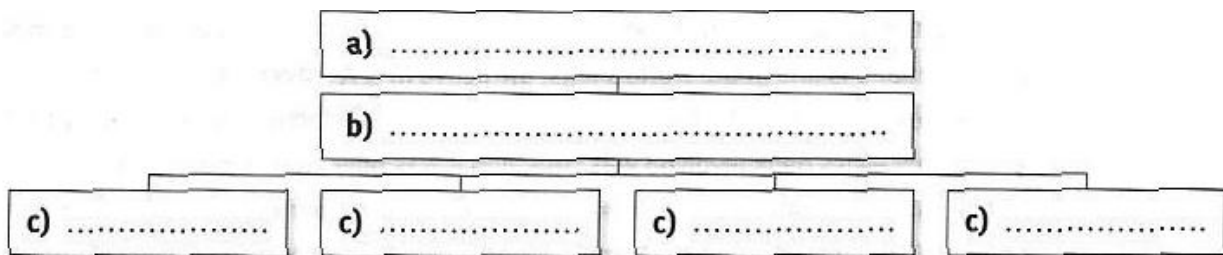
Before you read :

1. What are the different functions of nation's central bank ?
 - Act as bankers to the government
 - Act as bankers to the commercial banks
 - Supervise the banking system
 - Print and issue banknotes
 - Maintain financial stability
 - Conduct foreign exchange operations

Reading tasks :

A. Understanding main points: Read the two short text on the European System Central Banks (ESCB) and complete the information below .

1. The ESCB is composed of the European Central Bank and the EU national central banks.
2. The ECB is run by the
3. The organisation of the ECB executive board :



4. The members of the executive board are in charge of :
 - a)
 - b)
 - c)
 - d)
 - e)
 - f)
 - g)
5. The ECB's governing council consists of :
 - a)
 - b)Of these c) Have the majority .
6. The main objective of the ESCB is to
7. The NCBs fulfil all functions except

Text A

ORGANISATION OF THE EUROPEAN SYSTEM OF CENTRAL BANKS (ESCB)

The ESCB is composed of the European Central Bank (ECB) and the national central banks (NCBs) of the European Union member states.

In accordance with the ESCB Statute, the primary objective of the ESCB is to maintain price stability.

- 5 The basic tasks to be carried out by the ESCB are:
- to define and implement the monetary policy of the EU;
 - to conduct foreign exchange operations;
 - to hold and manage the official foreign reserves of the Member States; and
- 10 • to promote the smooth operation of payment systems.

In addition, the ESCB contributes to the smooth conduct of policies relating to supervision of credit institutions and the stability of the financial system. It also has an advisory role on matters which fall within its field of competence. Finally, in order to undertake the tasks of the ESCB, the ECB shall collect the necessary statistical information.



The European Central Bank, Frankfurt

From www.ecb.int

Text B

EUROPEAN CENTRAL BANK • by Wolfgang Münchau

Success of ECB critical for banking industry

The ECB is run by a six-member executive board headed by the ECB President and Vice-president. The four other members are in charge of payment systems, banking supervision, international relations, organisation, statistics, banknotes and information systems.

10 The ECB took over from national central banks in setting interest rates from January 1999. Interest rates are now set by the ECB's governing council which consists of the six-member executive board and the presidents of the national central banks of the participant countries.

20 The all-powerful council will ensure the continued influence of national central banks in the

decision-making process. The majority of the presidents of the NCBs versus the six ECB 'insiders' will ensure that national interests will not be ignored under EMU¹.

Some critics have argued that this could give rise to a potentially destabilising situation. The ECB's legal mandate is to pursue monetary policy with a view to the whole of the EMU area and without favouring one country over another. Yet if several national central bank presidents were to form voting pacts, they could in theory outmanoeuvre the six executives.

Compared to the national central banks, the ECB will be relatively small. While the Bank of France and the Bundesbank each

employ more than 10,000 staff, the ECB will have to do with only 500 employees. The comparison is not entirely fair because the ECB's staff will be primarily engaged in research, security and payments systems, while most of the staff at NCBs are involved in areas such as logistics and administration.

Because the national central banks will remain large and important, the transition to the new regime will not mark a sudden shift. The Bundesbank will continue to exist and fulfil all its current functions except setting interest rates.

FINANCIAL TIMES
World business newspaper.

B. Understanding details :

Mark these sentences T (true) or F (false) according to the information in the texts. Find the part of the text which gives the correct information .

1. The NCBs have no influence on the stability of the Euro . F
2. The ECB must consider the needs of all EMU countries equally .
3. The NCB presidents could overrule ECB decisions if they wanted to .
4. The staff of the Bundesbank is 20 times larger than that of the ECB .
5. ECB staff carry out the same tasks as NCB staff .
6. The creation of the ECB forced rapid changes to be made in Europe's central banking system .

Vocabulary tasks :

A. Word fields :

Write these words and phrases in the appropriate columns.

consist of contribute to give rise to compared to ensure shift
 transition be composed of be run by take over from be in charge of
 be headed by undertake relatively small

Organisational structure	responsibility	Changes	comparison
..... consist of Contribute to give rise to compar d to
.....
.....
.....

B. Word families :

Complete the chart .

Verb	adjective	noun
1. Supervise	supervisory	Supervision..
2. Advise
3. Participate
4. (de)stabilise
5. Influence

C. Discussion and Writing

1. Describe, orally or in writing , how the euro had performed recently .
2. Discuss these questions.
 - A) Has European Monetary Union been a success o a failure ?
 - B) What do you think of the UK's position regarding the euro ?
3. Describe the structure of the organisation where you work or study .

2. Profitable Banks

Before you read

- 1 How do banks make their profits?
- 2 what factors determine the profitability of a bank?

Reading tasks

A. understanding main points

Mark these statements T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

1. Barclays' profits were higher than those of Lloyds TSB. F
2. Banks in the UK can make more profit by charging higher interest on loans.
3. The provision for bad debts for the main UK banks was much higher in 1992.
4. The banks do not employ as many clerks as they did in the 1980s
5. Customers prefer to deal with machines rather than talk to bank staff.
6. British banks are the most advanced in the world.
7. British banks face a lot of competition from other institution offering financial services.
8. The British don't complain very much about the service they receive from their banks.

B. Information search

Look quickly at the text and find the answers to these questions.

1. Which of the following reasons are given in the text to explain the British banks 'profitability'?
 - a) Trading in bond markets
 - b) Reduction in the level of branches
 - c) Effective management
 - d) Reduction in the level of bad debts
 - e) Interest from loans to overseas customers
 - f) Large-scale processing of transactions
 - g) Competitive interest rates attracting more customers
 - h) British customers preferring to stay with the same bank
 - i) The strength of the economy

Easy money

Britain's high street banks are extremely profitable – and widely criticised for their poor performance. What's going on? asks **George Graham**

Andrew Buxton, chairman of Barclays, ought to have looked a troubled man as he presented his bank's annual results last week. In the last year, Barclays had lost a chief executive, dropped £205m on rash trading in the bond markets, another £153m on bad loans to Russian customers, and had let its operating costs run out of control.

Yet Barclays somehow managed to make profits of £1.9bn.

In the same year, Lloyds TSB reported a 14 per cent increase in its pre-tax profits to £3.29bn, equivalent to an after-tax return on shareholders' equity of 33 per cent. And other British banks made similar profits.

So where do these profits come from? And why have they not been lost to the competition from other institutions?

The first part of the answer lies in the condition of the UK economy at large. In principle, bank profits are built for the most part on the volumes of loans they make and the deposits they collect; the margins between the interest rates for these two sides of their balance sheet gives them their

profits (or losses). But in a mature market such as the UK, it is hard for a very large bank to expand loan and deposit volumes much beyond the level of the economy as a whole, and even harder to widen net interest margins.

The biggest factor in bank profits has therefore been the level of bad debts. In 1992, when banks' accounts showed the worst of the effects of the last UK recession, the seven principal banks set aside £6.45bn of bad debt provisions between them. Last year, the total for the same group is estimated to have been around £2.6bn.

The other side of British banks' profitability reflects an interplay between technology-based efficiency gains and customer inertia.

Banks have become more efficient over the past decade, stripping out costs as new computer systems and telecommunications networks have enabled them to set up industrial-scale processing plants for tasks that used to be handled by clerks in the back of each branch.

Branches are expensive to run, and the network has been whittled down from a peak of 21,800

branches in 1985 to around 15,000 today. Each branch, too, has fewer staff.

One of the most frequent complaints is the disappearance of the human touch in the bank branch. Yet customers have reaped most of the benefits of the banks' efficiency gains – cash dispensed at the touch of a button by machines, instant account balances, transfers and even loans available over the telephone.

However, British banks remain years behind their French rivals in electronic banking. Nor is the UK's money transmission system the most consumer-friendly in the world. Customers in New Zealand and Canada get deposits credited instantaneously, while in the UK they must wait days.

Competition in financial services has been steadily increasing since the 1980s. Yet the British consumer is more likely to swap a wife (or husband) than a bank. With such undemanding customers, leading banks could have years of fat profits ahead of them.

FINANCIAL TIMES
World business newspaper.

2. Which of the following examples of improved banking technology are mentioned either directly or indirectly in the text?

- ATMs
- Smart Cards
- Credit cards
- Telephone banking
- Electronic banking

Vocabulary tasks

A. Replace the underlined items with words or phrases from the text that have a similar meaning.

- Banks are effected by the state of the UK economy in general .(para5) at large
- The UK has a very established loan market.(para5)

3. It's difficult for a large bank to increase loan and deposit volumes. (para 5)
4. The UK's seven principal banks set aside about £6.5bn of bad debt provision. (para 6)
5. Banks have closed thousands of branches over the last ten years. (para 8)
6. Many routine banking tasks are dealt with by computer. (para 8)
7. A bank branch is expensive to operate. (para 9)
8. Technologically, British banks are behind their French competitors. (para 11)
9. Few people change banks in Britain. (para 12)
10. Most UK banks still make huge profits. (para 12)

B. Understanding Expressions

Choose the best explanation for these words or phrases from the text.

1 troubled (line 3)

- a) Worried
- b) Pleased

2 rash trading (line 8)

- a) Trading without enough care and consideration
- b) Trading in large volumes

3 let its operating costs run out of control (line 10)

- a) Allowed its costs to go over the budget
- b) Allowed its costs to be checked by external auditors

4 customer inertia (line 54)

- a) Customers don't want to move or change anything
- b) Customers expect a lot of improvement in service

5 stripping out costs (line 56)

- a) Adding to costs
- b) Removing costs

6 reaped most of the benefits (line 73)

- a) Collected most of the benefits
- b) Lost most of the benefits

C. Word search

Find a word or phrase in the text that has a similar meaning

1. Total amounts or quantities (para 5) Volumes
2. system of local offices spread around the country (para 9)

B n.....

3. Highest level recorded over a period (para 9)

p.....

4. Designed so as to be of maximum benefit to the consumer (para 11)

c..... f.....

5. when the value of a deposit is added to an account balance (para 11)

c.....

6. Banks with the biggest share of the market (para12)

l..... b.....

D. Linking

Match the first half of each sentence with the most appropriate second half. Notice the word that are used on each sentence to mark a contrasting. (These words are in italics.)

1. Barclays bank had a troubled year
2. Banks make a profit on their net interest margin
3. British banks have introduced a range of technically-advanced service
4. Canadian customers get deposits credited instantaneously

- a) While UK customers have to wait a few days.
- b) Yet it managed to make a lot of profit
- c) But it is difficult for them to widen their margins
- d) But they are still behind the French in electronic banking

E. WRITING

1. If possible, find the annual results of a bank in Morocco and report on its profitability.
2. How do British banks differ from banks in Morocco in the way they make their profits?

3. Bank Mergers

Before you read

1 Answer these questions

- a) Which is the correct description of a merger?
When one company gains control of another by buying the majority of its shares.
When two companies, often equal in size combine to form one new company.
- b) What word or words fit the other description above?

2 discuss these questions.

- a) What kinds of financial institutions are in your country
- b) Is there a trend in your country for smaller banks to merge or be taken over by larger ones?

Reading tasks

A. Understanding the main points

1. Mark these statements T (true) F (false) according to the information in the text. Find the part of the text that gives the correct information.

- a) In investment banking it is important to be very big in order to be competitive. T
- b) Middle-sized banks may survive, but small ones have no chance.
- c) Barclays, a UK bank, has increased its investment banking activities.
- d) It is difficult for middle-sized banks to pay the high salaries demanded by stock traders.
- e) Edward Critchfield's comments were about retail banking.
- f) Mergers between retail banks are mostly international
- g) There are more financial institutions in relation to the population in France than in the USA
- h) Irish banks need to become international if they want to expand.
- i) In retail banking it is difficult to save costs by increasing size.
- j) Credit card processing is cheaper when done on a large scale.
- k) One of the biggest costs for banks nowadays is software development.

2. The article can be divided into two sections, each dealing with a different aspect. These are marked I and II in the text. What is each section about?

3. Find three kinds of banks which are mentioned in the article

BANKING • by George Graham

Survival of the biggest

A wave of M&A has reshaped the industry, but stuck largely to national deals

How big is big? A wave of mergers and acquisitions has completely reshaped the face of the international finance industry. Across a range of financial sectors, the tables are being cleared for a handful of giants, with room still for niche players but little space for the middle-sized.

I The most dramatic changes came in the investment banking area, where a range of specialised or regional investment banks found new commercial banking parents. Many investment bankers now believe the battle for membership of dominant firms is reaching its closing stages.

'In a lot of industries - telecoms, pharmaceuticals, for example - it is not unusual to see five global giants survive. Five seems to be the magic number,' says Hans de Gier, head of Warburg Dillon Read investment bank. 'In investment banking, too, you will see a handful of global firms

which have the cost base but also have the revenue base to support this vision.'

Some banks have already reached the conclusion that they cannot realistically hope to be part of that select group, and have scaled back their investment banking ambitions. In the UK, both Barclays and National Westminster have sold most of their equity operations and now concentrate solely on debt - more closely linked to their traditional banking business.

Spiralling pay packets for traders and investment bankers have made it difficult for the mid-sized contenders to stay in the race. They have to pay people just as much or more, but don't get as much revenue out of them as a global firm.

II In the retail banking sector, some of the talk sounds familiar. Edward Crutchfield, chairman of First Union, recently warned smaller traditional banks that they were a 'declining, dying business. Merger mania will last until there are 10 or 12 or maybe 15 dominant financial services.'

But with very few exceptions, consolidation in the retail banking sector remains national in character. ING's takeover of Banque Bruxelles Lambert in

Belgium represents one example of a cross-border deal. But most efforts to cross national boundaries have not worked.

In the US, there remains plenty of room for consolidation without stretching overseas. The number of commercial banks has shrunk from 11,462 in 1992 to 9,215 this year, but that still leaves the US with far more financial institutions in proportion to its population than comparable countries.

In countries such as the UK and France there may be room for further consolidation, but banks in the Netherlands and Ireland already have to look abroad for a second home market.

Retail banking has proved resistant to economies of scale. In specific activities such as credit card processing, unit costs fall rapidly with size. In banking more generally, however, the complexity of operations reduces the benefits resulting from size.

That may be changing with increasing IT¹ use in banking. The cost of software development is one of the biggest factors with 14 banks estimated to be spending more than \$1 billion a year on IT.

FINANCIAL TIMES
World business newspaper.

¹ Information Technology

Vocabulary Task

A. Match these terms with their definitions

- | | |
|----------------------|---|
| 1. Consolidation | a) division of a bank that deals with share issues and share trading |
| a. Equity operations | b) bank that acts as an intermediary between companies and the investing public |
| 2. Unit cost | c) bringing together of two or more companies, as in a merger |
| 3. Cost base | d) provision of basic banking services to individuals and companies |
| 4. Niche | e) place in the market for a specialized product or service |
| 5. Parent company | f) company which owns more than 50% of another company |
| 6. Retail banking | g) total cost divided by the number of items that are handled |
| 7. Investment bank | h) large size providing the means for costs to be minimized |
| 8. Commercial bank | i) bank involved in international trade and corporate banking |

B. Word search: Find a word or phrase the text that has similar meaning

1 people or company who compete to win something (para 5) Contenders

2 temporary phase when everybody wants to merge (para 6)

m.....m.....

3 merger or takeover between companies in different countries (para 7)

c..... b..... d.....

4 principle that the large a company is, the lower its average costs are (para 10)

e.....of s.....

C. Word fields

Write these words or phrases in the appropriate columns.

Expand	reduce	scale back	shrink	stretch	spiral	decline
fall						

Words meaning to get bigger

.....

words meaning to get smaller

.....

D. understanding expressions

Choose the best explanation for each of these words or phrases from the text.

1 wave of merger (line 1)

- a) Large number of mergers taking place all at once
- b) Tendency for a few mergers to take place

2 reshaped the face of the international financial industry (line 3)

- a) Changed it completely
- b) Improved it

3 table are being cleared (line 6)

- a) New game is about to start with different players taking part
- b) The game is over

4 reaching its closing stages (line 18)

- a) Has finished
- b) Nearly at an end

5 handful (line 27)

- a) Five
- b) Small number

6 vision (line 27)

- a) View of the future
- b) Plan or policy

7 concentrate solely on (line 40)

- a) Concentrate mainly on
- b) Concentrate only on

8 comparable countries (line 77)

- a) Countries that are similar in size
- b) Countries that have a similar of economic development

9 has proved resistant to (line 85)

- a) Has benefited from
- b) Has been unaffected by

10 unit costs fall rapidly with size (line 88)

- a) Unit costs fall rapidly as size increases
- b) Unit costs fall rapidly as size decreases

E. Writing

1. What do you think the financial industry will look in ten years' time? Will there be many more change? Give your opinion

International Banking

1. Sending Money Overseas: Priority Payments

Before you read:

A. Understanding main points

Read the text about sending money overseas and match the questions below (1-6) with paragraphs in the text (a-f).

1. Is it possible to guarantee a payment date? *paragraph d*
2. When will my account be debited and how will I be informed?
3. What charges will I have to pay?
4. When should I use this type of payment?
5. Is it possible to cancel a payment instruction?
6. How long will it take for the beneficiary to receive the funds?

B. Understanding details

Mark these statements T (true) or F (false) according to the information in the text .
Find the part of the text that gives the correct information.

1. Priority payments cost more than other kinds of payments.
2. Priority payments should only be used to send money to developed countries.
3. The exchange rate for foreign currency payments is always determined by the international Banking Center.
4. It is not possible for the bank to guarantee a payment date.
5. It is not a problem to change your mind about a payment after the money had been sent.
6. The person who makes the payment normally has to pay the overseas bank changes.

How To Send Money Overseas From The United Kingdom

Priority Payments

● a)

Priority payments are the fastest and most secure method of making an international payment. Consequently they are slightly more expensive than other payment methods. This type of payment should be used when speed of delivery is the most important factor. We also recommend this type of payment to the less well-developed countries of the world. Payments are sent by SWIFT, which is an electronic payment system, to any country in the world in sterling or any tradable foreign currency. If you instruct us to make a foreign currency payment we will use the prevailing exchange rate published in your branch on a daily basis. For high value payments we will obtain a rate for you from our International Banking Centre. We instruct a bank in the receiving country to inform the beneficiary, i.e. the recipient of the payment, that you have sent some money and:

- credit a specified bank account, or –
- pay the beneficiary at a specified address, or –
- hold funds for the beneficiary to collect upon production of a passport or other means of identification.

● b)

The beneficiary should normally receive funds within three or four working days from the instruction leaving your branch. This timescale is dependent upon how much information you can provide regarding the beneficiary's banking arrangements and whether HSBC is in direct account relationship¹ with the beneficiary's bankers. In urgent cases these times can be improved upon if payment instructions are telephoned by your branch to the local International Banking Centre.

● c)

Your account will be debited on the day HSBC sends your payment overseas. A debit advice will be sent to you by your branch within three working days.

● d)

The value date, i.e. payment date, is the date on which funds should be available to the beneficiary's bank to make payment to the beneficiary. HSBC can achieve same-day value in a few financial centres. Otherwise customers can expect payments to be made within three or four working days. Value may, however, be delayed if there are complications in the routing of payments or in overseas banking systems. AS A RESULT WE CAN GIVE NO GENERAL ASSURANCES ON THE ACHIEVEMENT OF VALUE DATES. YOU ARE THEREFORE ENCOURAGED TO DISCUSS YOUR NEEDS WITH BRANCH STAFF: THEY ARE THERE TO HELP YOU.

● e)

Once we have transmitted funds overseas it is almost impossible to cancel the instruction. Depending on the circumstances, HSBC will agree to such a request and will endeavour to retrieve funds. If we are successful in obtaining a refund, your account will be credited after deducting any expenses, which can be substantial.

● f)

HSBC's standard tariff is quoted in our booklet, 'International Tariff for Personal Customers' and can be paid by either yourself or the beneficiary. When HSBC transfers money overseas, the receiving bank may deduct charges from the payment before crediting the beneficiary. It is possible for you to pay the overseas bank's charge, thus ensuring the beneficiary receives the gross amount of the payment. However, you should be aware that some countries charge a percentage tariff with no maximum. Therefore if you were sending a high value payment it is possible that you could incur substantial overseas charges.

¹ The bank has an account at the foreign bank where the payment is going.

Vocabulary tasks :

A. Word search: Find a word or phrase in the text that has a similar meaning.

1. Person who receives or will receive a payment (para a) *beneficiary*
2. Confirmation that money has been deducted from your account (para c)
d..... a
3. Day on which funds reach the beneficiary's bank (para d) v.....
d.....
4. Money returned to a person who wishes to cancel a payment (para e)
r.....
5. Schedule of prices of fees (para f)
t.....

B. Word families

Write the correct form of the word in brackets in each sentence.

1. (Receive) the beneficiary is the *recipient* of a payment.
2. (Produce) the beneficiary can only collect the money upon of some identification.
3. (Advise) after making the payment, your bank sends you an that your account has been debited.
4. (Deliver) a priority payment is made when the speed of is important.
5. (Day) the exchange rate is published on a basis.

C. Collocations :

Match these verbs and nouns as they occur in the text.

- | | |
|-------------|--------------|
| 1 make | an account |
| 2 incur | a tariff |
| 3 credit | a date |
| 4 charge | a payment |
| 5 Guarantee | an assurance |
| 6 give | charges |

D. Discussion and writing activity

1. Imagine you are an HSBC banking officer. Explain, to a potential customer, how the priority payment method works.
2. Explain another payment method used by banks in your country.
3. Imagine you are a bank customer make a list of questions you would like to ask about priority payments. Write a letter to HSBC asking them to answer these questions.

2. Foreign Trade

Before you read:

1. What are some of the risks involved in trading internationally?
2. What payment methods do you know that are used when exporting or importing goods?
3. What is the role of the banks in international trade?

Reading tasks:

- A.** Mark these statement T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

Open account

1. The importer pays for the goods after receiving the documents.
2. There is no contract involved.
3. The exporter must be able to trust the buyer.

Documentary credit

4. If a letter of credit is issued, the importer's bank agrees to pay for the goods without conditions.
5. If a letter of credits is confirmed, the exporter's bank takes responsibility for payment.

Bills for collection

6. Commercial documents and the document of title are always enclosed with a bill of exchange.
7. Importers may not accept the bill of exchange until the goods arrive
8. Exporters can keep control of goods by sending bills of lading through the banking system.
9. Exporters reduce risk if documents are released against acceptance of the bill rather than payment.

Advance payment

10. This means that the importer had to pay before any goods are dispatched.

• Open Account

The goods, and relevant documents, are sent by the exporter directly to the overseas buyer, who will have agreed to remit payment of the invoice back to the exporter upon arrival of the documents or within a certain period after the invoice date. The exporter loses all control of the goods, trusting that
5 payment will be made by the importer in accordance with the original sales contract.

• Documentary Credit

Documentary Credit is often referred to as a Letter of Credit. This is an undertaking issued by an overseas bank to a UK exporter through a bank in the UK, to pay for the goods provided that the exporter complies fully with the conditions established by the Documentary Credit.

10 Additional security can be obtained by obtaining the 'confirmation' of a UK bank¹ to the transaction, thereby transferring the responsibility from the importer's bank overseas to a more familiar bank in the country of the exporter.

Very few risks arise for the exporter because the potential problem areas of the buyer risk and country risk can be eliminated. However, the exporter must present the correct documents and comply fully
15 with the terms and conditions of the credit. Failure to do so could result in the exporter losing the protection of the credit.

• Bills for Collection

Trade collections are initiated when an exporter draws a bill of exchange on an overseas buyer. This is forwarded by the exporter's bank in the importer's country.

20 Such collections may be either 'documentary' or 'clean'². A documentary collection is one in which the commercial documents and, if appropriate, the documents of title to the goods are enclosed with the bill of exchange. These are sent by the exporter's bank to a bank in the importer's country together with instructions to release the documentation against either payment or acceptance of the bill.

The risks that the exporter has to face are that the importer fails to accept the bill of exchange or
25 dishonours an accepted bill³ upon maturity. This means that the exporter may have to consider shipping the goods back to the UK, finding an alternative buyer or even abandoning the consignment, all of which could be expensive.

In many areas of the world it is common practice to defer presentation⁴, payment or acceptance until arrival of the carrying vessel. Collection and remittance charges can also be relatively high.

30 If the exporter retains control over the goods by remitting a full set of Bills of Lading⁵ through the intermediary of the banking system, control of the goods will be handed over to the importer only against payment or acceptance of the bill by the importer. If the documents are released against the importer's acceptance of the bill, control of the goods is lost and the accepted bill of exchange may be dishonoured at maturity.

35 • Advance Payment

Exporters receive payment from an overseas buyer in full, or in part, before the goods are dispatched. This means that the exporter has no risks associated with non-payment.

1. This bank is then known as the confirming bank.
2. Clean means that documents are involved.
3. The importer does not pay, although he had previously agreed to pay.
4. This leads to delay passing the bill to the importer.
This means sending all the necessary shipping documents

Vocabulary tasks

A. word search:

Find a word or phrase in the text that has a similar meaning.

1. Promise or guarantee given to or by a bank (para 2)
U.....
2. Load of goods sent to a customer's (para7)
C.....
3. Person or company that acts as a middleman in a transaction (para9)
I
4. Date when a bill of exchange is due for payment (para9)
m.....

B. Complete these sentence :

Use an appropriate form of the words in the box to complete the sentence which describe the procedure for documentary collection.

Draw accept Dishonor release remit forward dispatch present
--

1. The first step the exporter takes is to ask his bank toa bill of exchange on the overseas buyer.
2. The exporter's bank the bill exchange , together with commercial documents , to the importer's bank .
3. At the same time, the exporter the goods .
4. The exporter must take care to the correct documents to the bank .
5. When the importer the bill of exchange , the bank will the documents of title to the goods .
6. If the importer the bill , the exporter may have to find an alternative byer or ship the goods back again .
7. In some parts of the world, banks may be slow to payments to exporter's bank .

WRITING

1. Imagine you are a banker talking to one of your customers who has never exported before. Explain how documentary credit works.
2. Prepare a list of recommendations for either exporters or importers.

Investments

1. The work of a Fund Manager

Before you read

Discuss these questions.

1. What do you think a fund manager does? Make a list of job activities.
2. Explain what Wall Street is and what it does to someone who knows nothing about stock markets.

Reading tasks

A. Understanding main points

Read the text on the opposite page, about the work of a Schroder fund manager. Which of these statements best describe Schrodgers' investment philosophy ?

1. Fund managers work alone to select the right stocks.
2. Investment decision are the best made by groups.
3. Competition between fund managers is the best way to get results.

B. Information search

Look quickly at the text and answer these questions.

1. How many ...
 - a) Committees does Chris Rodgers sit on? two
 - b) Teams meet in the UK to discuss stocks?
 - c) Daily meetings does Chris Rodgers attend?
 - d) Other companies has Chris Rodgers worked for?
2. Write down three activities that Rodgers carries out each day.
3. If Schrodgers is interested in a stock, what two steps do they usually take to find out more about it?

C. Understanding details

Mark these statements true (T) or false (F) according to the information in the text. Find the part of the text that gives the correct information.

1. Rodgers can make his own decisions on which stocks to buy or sell.
2. He buys and sells stocks himself.
3. He was fully trained as an equity analyst before he joined Schrodgers.
4. He always follows market trends when selecting a stock.

Trading on Teamwork

Team decision-making is fundamental to Schroders' investment philosophy. Fund manager Chris Rodgers explains how this helps him to select the right stocks for his portfolios.

Schroder fund managers such as Chris Rodgers are ultimately responsible for their funds' performance, but Schroders' framework of team decision-making ensures that all fund managers have access to the best research and ideas.

Economists and analysts from our offices worldwide contribute to research and recommendation to investment committees, who set guidelines which are adhered to by all fund managers.

Rodgers sits on the International Asset Allocation Committee, which determines global targets for exposure to equities, bonds and cash. He is also on the UK Equity Strategy Team that sets specific guidelines that assist UK fund managers.

He explains: 'These include ways to control risk, and targets for investing in specific sectors, such as construction or pharmaceuticals. 'Within the guidelines, Rodgers has discretion in choosing stocks for his own portfolios.

In the UK, two stock teams focusing on FTSE 100 and 250 companies, meet weekly. A Schroder equity analyst will present their unique research on a specific company before the team considers information and recommendation from external brokers. They subsequently discuss and grade stocks.

Rodgers' daily activities include studying research notes and writing fund performance reports for clients. Monitoring stock market movements and news is a continuous process – the UK dominates the morning while Wall Street tends to govern the afternoon's trends. 'The daily team meeting at 12.15 provides an opportunity to discuss the morning's events and share ideas. Analysts also give expert assessment of company results published that morning.'

When Schroders is interested in a specific stock, the relevant analyst will be asked to prepare a more in-depth note on the company. Rodgers adds; 'We may also arrange a meeting with the Managing Director or Finance Director of the company.

'As Schroders is a large fund manager, we benefit from ready access to most of the companies that we wish to see. We discuss the changes directors are putting in place and how they will affect the performance of the company in the medium to long term.'

If Rodgers decides to buy or sell a stock, he'll talk to Schroders' dealing room: 'I don't execute the market business myself; that's specialist and time-consuming role. 'The dealers liaise closely, ensuring that the prices and quantities available are acceptable to him.

Like many of Schroders' fund managers, Rodgers trained with the company as an analyst, giving him invaluable experience in researching and assessing stocks. He says: 'It taught me to trust my own judgment. Now, as a fund manager, I have the confidence to take positions with certain stocks, even when the market consensus is less optimistic.

'It's only by going against the grain from time to time that you can add extra value to a client's portfolio over the long term.

Vocabulary tasks

A. Key terms

Match these terms with their definitions.

1. Fund

2. Portfolio
3. Equities
4. Bond
 - a) Collection of investments in different companies
 - b) Large amount of money collected from different investors and managed by an investment company or bank
 - c) Long-term investment traded on the stock market, which usually has a fixed rate of interest for a fixed period
 - d) Shares in a company which can be traded on the stock market

B. Word search

Find a word or phrase in the text that has a similar meaning.

1. Amount of risk the company is open to (para 3)
.....
2. Areas of industry or business (para 4)
s.....
3. Someone who studies the performance of shares (para 5)
e.....a.....
4. Middlemen between clients and stock traders or dealers (para 5)
b.....
5. Something that fund managers have to write to inform clients about the investments (para 6)
f.....p.....r.....
6. Someone who is responsible for the financial control of a company (para 8)
f.....d.....
7. Name of the place where stocks are traded (para 10)
d.....r.....

C. Word search

Replace the underlined items with words and phrases from the text that have a similar meaning.

1. Rodgers is a member of the International Asset Allocation Committee. (para 3) **sits on**
2. The guidelines include ways to keep risk to a minimum. (para 4)
3. The team considers recommendations from external brokers. They then discuss and grade stocks. (para 5)
4. Checking stock market movements and news is a continuous process. (para 6)
5. Analysts prepare a more detailed note on the company Schrodgers is interested in. (para 8)

6. Schroders discuss the changes which company directors are implementing. (para 9)
7. 'I don't carry out the market business myself.' (para 10)

D. Understanding expressions

Choose the explanation for each of these words or phrases from the next.

1. Ultimately (line 2)
 - a) Completely
 - b) In the end
2. Global targets (line 11)
 - a) Overall
 - b) International
3. Ready access to (line 42)
 - a) Limited access to
 - b) Fast access to
4. Going against the grain (line 59)
 - a) Doing something which the company disapproves of
 - b) Doing something differently from what everyone else is doing

E. Linking

Match the first half of each sentence with the most appropriate second half.

1. Fund managers are responsible
 2. Fund managers must adhere
 3. Fund managers have access
 4. Fund managers have discretion
 5. Fund managers liaise closely with dealers to ensure
- a) to the best research and ideas.
 - b) to guidelines set by the investment committee.
 - c) in choosing stocks for their own portfolios.
 - d) for their funds' performance.
 - e) that prices and quantities are acceptable.

F. Writing and activity and discussion

1. Either orally or in writing, describe your own job responsibilities and daily activities.
Or (if you are not yet in a job) : Find out about a job specialization in the field of investments and draw up a description of that job.
2. Draw up your own curriculum vitae in writing and then describe it as if talking to a potential employer.
3. If you work in investments, compare the way of working in Schroders with the way you work in your company or bank.

