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тема: Banks

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**What is the Banks History?**

Banking in the modern sense of the word can be traced to medieval and early Renaissance Italy, to the rich cities in the north like Florence, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. Perhaps the most famous Italian bank was the Medici bank, set up by Giovanni Medici in 1397. The earliest known state deposit bank, Banco di San Giorgio (Bank of St. George), was founded in 1407 at Genoa, Italy.

Banks can be traced back to ancient times even before money when temples were used to store commodities. During the 3rd century AD, banks in Persia and other territories in the Persian Sassanid Empire issued letters of credit known as Ṣakks. Muslim traders are known to have used the cheque or ṣakk system since the time of Harun al-Rashid (9th century) of the Abbasid Caliphate. In the 9th century, a Muslim businessman could cash an early form of the cheque in China drawn on sources in Baghdad, a tradition that was significantly strengthened in the 13th and 14th centuries, during the Mongol Empire. Fragments found in the Cairo Geniza indicate that in the 12th century cheques remarkably similar to our own were in use, only smaller to save costs on the paper. They contain a sum to be paid and then the order "May so and so pay the bearer such and such an amount". The date and name of the issuer are also apparent.

**Origin of the word**

The word bank was borrowed in Middle English from Middle French banque, from Old Italian banca, from Old High German banc, bank "bench, counter". Benches were used as desks or exchange counters during the Renaissance by Florentine bankers, who used to make their transactions atop desks covered by green tablecloths

The earliest evidence of money-changing activity is depicted on a silver Greek drachm coin from ancient Hellenic colony Trapezus on the Black Sea, modern Trabzon, c. 350–325 BC, presented in the British Museum in London. The coin shows a banker's table (trapeza) laden with coins, a pun on the name of the city. In fact, even today in Modern Greek the word Trapeza (Τράπεζα) means both a table and a bank.

**What is a bank?**

According to Britannica, a bank is: an institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loans and derive a profit from the difference in the interest rates paid and charged, respectively.

Banks are critical to our economy. The primary function of banks is to put their account holders' money to use by lending it out to others who can then use it to buy homes, businesses, send kids to college...

When you deposit your money in the bank, your money goes into a big pool of money along with everyone else's, and your account is credited with the amount of your deposit. When you write checks or make withdrawals, that amount is deducted from your account balance. Interest you earn on your balance is also added to your account.

Banks create money in the economy by making loans. The amount of money that banks can lend is directly affected by the reserve requirement set by the Federal Reserve. The reserve requirement is currently 3 percent to 10 percent of a bank's total deposits. This amount can be held either in cash on hand or in the bank's reserve account with the Fed. To see how this affects the economy, think about it like this. When a bank gets a deposit of $100, assuming a reserve requirement of 10 percent, the bank can then lend out $90. That $90 goes back into the economy, purchasing goods or services, and usually ends up deposited in another bank. That bank can then lend out $81 of that $90 deposit, and that $81 goes into the economy to purchase goods or services and ultimately is deposited into another bank that proceeds to lend out a percentage of it.

In this way, money grows and flows throughout the community in a much greater amount than physically exists. That $100 makes a much larger ripple in the economy than you may realize!

**Why does it work?**

Banking is all about trust. We trust that the bank will have our money for us when we go to get it. We trust that it will honor the checks we write to pay our bills. The thing that's hard to grasp is the fact that while people are putting money into the bank every day, the bank is lending that same money and more to other people every day. Banks consistently extend more credit than they have cash. That's a little scary; but if you go to the bank and demand your money, you'll get it. However, if everyone goes to the bank at the same time and demands their money (a run on the bank), there might be problem.

Even though the Federal Reserve Act requires that banks keep a certain percentage of their money in reserve, if everyone came to withdraw their money at the same time, there wouldn't be enough. In the event of a bank failure, your money is protected as long as the bank is insured by the Federal Deposit Insurance Corporation (FDIC). The key to the success of banking, however, still lies in the confidence that consumers have in the bank's ability to grow and protect their money. Because banks rely so heavily on consumer trust, and trust depends on the perception of integrity, the banking industry is highly regulated by the government.

**Types of Banks**

There are several types of banking institutions, and initially they were quite distinct. Commercial banks were originally set up to provide services for businesses. Now, most commercial banks offer accounts to everyone.

Savings banks, savings and loans, cooperative banks and credit unions are actually classified as thrift institutions. Each originally concentrated on meeting specific needs of people who were not covered by commercial banks. Savings banks were originally founded in order to provide a place for lower-income workers to save their money. Savings and loan associations and cooperative banks were established during the 1800s to make it possible for factory workers and other lower-income workers to buy homes. Credit unions were usually started by people who shared a common bond, like working at the same company (usually a factory) or living in the same community. The credit union's main function was to provide emergency loans for people who couldn't get loans from traditional lenders. These loans might be for things like medical costs or home repairs.

Now, even though there is still a differentiation between banks and thrifts, they offer many of the same services. Commercial banks can offer car loans, thrift institutions can make commercial loans, and credit unions offer mortgages!

**How do banks make money?**

Banks are just like other businesses. Their product just happens to be money. Other businesses sell widgets or services; banks sell money -- in the form of loans, certificates of deposit (CDs) and other financial products. They make money on the interest they charge on loans because that interest is higher than the interest they pay on depositors' accounts.

The interest rate a bank charges its borrowers depends on both the number of people who want to borrow and the amount of money the bank has available to lend. As was mentioned in the previous section, the amount available to lend also depends upon the reserve requirement the Federal Reserve Board has set. At the same time, it may also be affected by the funds rate, which is the interest rate that banks charge each other for short-term loans to meet their reserve requirements. Check out How the Fed Works for more on how the Fed influences the economy.

Loaning money is also inherently risky. A bank never really knows if it'll get that money back. Therefore, the riskier the loan the higher the interest rate the bank charges. While paying interest may not seem to be a great financial move in some respects, it really is a small price to pay for using someone else's money. Imagine having to save all of the money you needed in order to buy a house. We wouldn't be able to buy houses until we retired!

Banks also charge fees for services like checking, ATM access and overdraft protection. Loans have their own set of fees that go along with them. Another source of income for banks is investments and securities.

**Loans, Checks and Savings**

Banks offer lots of financial products for their depositors. They offer checking accounts, loans, certificates of deposits and money market accounts, not to mention traditional savings accounts. Some also allow you to set up individual retirement accounts (IRAs) and other retirement or education savings accounts. There are, of course, other types of accounts being offered at banks across the country, but these are the most common ones. What are the differences in these most common types of accounts?

Savings accounts - The most common type of account, and probably the first account you ever had, is a savings account. These accounts usually require either a low minimum balance or have no minimum balance requirement, and allow you to keep your money in a safe place while it earns a small amount of interest each month. In standard practice, there are no restrictions on when you can withdraw your money.

Checking accounts - This is another common account most everyone has. It's convenient because it lets you buy things without having to worry about carrying the cash -- or using a credit card and paying its interest. While most checking accounts do not pay interest, some do -- these are referred to as negotiable order of withdrawal (NOW) accounts. Some say that checks have been around since about 352 B.C. in the Roman Empire.

It appears that checks really started becoming popular in Holland in the 1500 to 1600s. Dutch "cashiers" provided an alternative to keeping large amounts of cash at home and agreed to hold depositors' money for safekeeping. For a fee, they would pay the depositors' debts from the account based on a note that the depositor would write - sounds a lot like a check!

Today's banks do the same thing. It became a little more complicated when lots of banks became involved and money needed to be shifted from one bank to the next. To make things easier, banks now have a system of check "clearinghouses." Banks either send checks through the Federal Reserve or use a private clearinghouse to transfer the funds and clear the check. Here is a diagram of how that works.

Money market accounts - A money market account (MMA) is an interest-earning savings account with limited transaction privileges. You are usually limited to six transfers or withdrawals per month, with no more than three transactions as checks written against the account. The interest rate paid on a money market account is usually higher than that of a regular passbook savings rate. Money market accounts also have a minimum balance requirement.

* Certificates of deposit - These are accounts that allow you to put in a specific amount of money for a specific period of time. In exchange for a higher interest rate, you have to agree not to withdraw the money for the duration of the fixed time period. The interest rate changes based on the length of time you decide to leave the money in the account. You can't write checks on certificates of deposit. This arrangement not only gives the bank money they can use for other purposes, but it also lets them know exactly how long they can use that money.
* Individual retirement accounts and education savings accounts - These types of accounts require that you keep your money in the bank until you reach a certain age or your child enters college. There can be penalties with these types of accounts, however, if you use the money for something other than education, or if you withdraw the money prior to retirement age.

bank money changing financial

**Banking in Russia**

*Short History*

Prior to 1861, the growth of private savings was limited by the fact that the majority of Russia's population was composed of serfs, agricultural laborers who were tied to the land and had few personal freedoms. The only people likely to take advantage of personal savings accounts came from a small class of urban merchants and craftsmen. In 1862, there were only 140,000 deposit accounts totaling 8.5 million rubles in a country of 70 million people. After the abolition of serfdom in 1861, savings accounts became more widespread. Growth was particularly rapid in the 1880s, when the central offices at the Central Bank were supplemented by regional offices at local treasuries and telegraph stations. Savings offices opened in rural villages as well as urban centers, leading to a total of 4,000 branches and two million individual accounts in 1895.

### *Soviet period*

In Vladimir Lenin's view, banks were an important framework for the building of a socialist society. He believed the ready-made big banks of capitalism could be converted into an effective apparatus for state control of the economy. However, banking activities ground to a halt in the chaos of the years immediately following the revolution. All commercial banks closed down in October 1917. Their staff received salaries but were instructed not to perform any banking functions in the hope that economic paralysis would bring down the Bolshevik regime. Nevertheless, by the end of the year, the Bolsheviks had succeeded in nationalizing all commercial banks, sending armed detachments to occupy their offices in Petrograd. While business accounts were confiscated, private savings accounts were respected. Commissar of Finance V. Menzhinsky ordered the re-establishment of the Department of Savings Offices. However, his efforts to maintain the private savings system failed during the period of Revolution from 1918 to 1921. Throughout those years, farm and consumer goods were requisitioned, nearly all money was withdrawn from the economy, and the exchange of goods operated on a barter system.

### *Russian period*

The modern Russia inherited the banking system of the Soviet Union, with a few big state banks (like Sberbank, Vneshekonombank, and Vneshtorgbank). After more than 15 years of reforms in Russia, there are now 1183 financial institutions with 3286 regional branches.

On March 22, 1991, the Central Bank of Russia established the procedure for the issue of securities by commercial banks. From that time, Russian banks gained an outlet to the stock market. On April 2, 1991 the "Regulations for Buying and Selling (Transferring) Currency Exports Abroad through Citizens' Personal Funds" approved by the State Bank of the USSR entered into force. In this way, the creation of the Russian foreign exchange market began. And on April 9, the first auctions on the State Bank's currency exchange were held. Ten commercial banks and one financial organization took part.

**Credit and Debit cards**

At the end of 2008, there were 119 million bank cards in circulation in Russia. How can we do payments without cash money?

* Credit cards

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services.[1] The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

* Internet
* WEB money

**Information source**

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2. http://theunjustmedia.com
3. http://www.pocumd.org
4. http://money.howstuffworks.com
5. http://www.infoplease.com
6. www.google.com

**Words and phrases**

Substitutes - заменители

create money - зарабатывать деньги

requirement – требование, необходимое условие

ripple - пульсация

lending - кредитования

reserve - резерв

thrift institutions - сберегательных учреждений

interest – процент, доля

rate – ставка, курс

fees - сборы

Investments - Инвестиции

Loans – кредит, заем

Withdrawal – вывод, снятие, аннулирование

Rapid – быстрый, скорый

economic paralysis - экономического паралича

a barter system - бартерной системы

consumer - потребитель

issued – выпущенный , изданный