BANKING

The first banker was the man realized, that people were prepared to leave their money with another person. He found out that the further lending of such easily available funds could bring him benefits and this services could be made a lot costlier.

The bank is an institution (join stock company) specializing in money business. As an entrepreneur it buys money and sells it for profit. The predecessors of banks were the goldsmiths in England, who got the idea of taking care of gold and other valuables for people.

BANGING SYSTEM
In most countries there are big banks with branches in all towns.

- *CENTRAL BANK* – this bank can be called the bank of banks it supervises and helps other banks. The bank controls banking structure. It determines the discount interest rates, imposes rules on the minimum bank reserves, issues the currency, controls the exchange rates and manages foreign exchange reserves.
- *COMMERCIAL BANK* – the basic function is accepting deposits from individuals and firms and investing the obtained funds. Providing loans, handling customers accounts and other services.
- *SAVINGS BANKS* – thrift institutions, keeping customer's savings, making personal loans other services.
- *INVESTMENT BANKS* – specialized in trading in securities, providing consultancy services and other services the same as a commercial bank.

Deposits accepted by a bank from its clients constitute a bank's liabilities. A bank assets are the loans granted to other customer. The difference between the interests is the bank's margin it's creating the bank's profit. The banks have income by trading in securities and foreign currencies. In case of need, banks can borrow money from other banks and from the Central Bank. They can increase their equity by issuing new shares and selling them to the public. It's of debt for a bank which must be paid – off at maturity.

BANK PRODUCTS are:

1) opening and maintenance of current and deposit accounts, foreign currency accounts
2) making personal and commercional loans and overdrafts, mortgagees
3) payments by payment cards, electronic money transfers, direct debits, standing orders, documentary credit services, handling cheques and bills of exchange, discounting bills.
4) exchanging foreign currencies
5) trading bonds and shares for a good client
6) consultancy, providing bank guarantees, factoring, forfeiting, save custody services and derivatives.

BANK ACCOUNTS
Deposit and saving accounts are for saving money. Long-term deposits earn higher interest than short-term. If you wish to withdraw money from account you have to give notice to the bank.
Current accounts – do not pay high interest. They make use money any time – at call. These accounts are credited by deposits, salaries, other sort of income and debited when payments from these accounts are to be made. The payments are to by made by money transfer, money

order, standing order, cheque. Each account has debit and credit side and a balance. Banks send their clients statements of account.

BANK OVERDRAFT
A bank overdraft is provided to banks clients. If you wish to obtain the overdraft facility, you have to open a current account. With the bank you then agree on the credit limit. By overdrawing you run into debt with the bank. Interest on the overdrawn has to be paid or you would be charged the unauthorized.

LOANS

- Is money lent to a borrower by a lender. The borrower must repay – principal plus the interest. A time loan is repayable on the maturity date. The bank works out a schedule for the repayment.
- Long term loans are repayable after 10 – 20 years.
- Short term loans are repayable after 6 – 36 months (bridge loans).
- Medium term loans are repayable after 5 – 6 years.
- Personal loans are used for purchasing goods for consumption.
- Commercial loans are used to business organizations.
- Unsecured loans are provided to very good firms without any security.

Banks prefer secured loans which are secured by collateral. Before a loan is granted, the bank must check up on credit rating, creditworthiness, statements, balance sheet – profit and loss.

INTEREST RATES ON LOANS
Banks can borrow money from Central Bank at a discount rate. Commercial banks has got higher rates – borrowing rate then Central Bank. The lending rate is charged to the clients. Banks can charge fixed interest rates on loans which do not change before the maturity date. Banks insists on flexible rates and capped rate.

MORTGAGE
Is a type of secured loan. It is long term debt. In case is the built house itself.

PAYMENT CARDS
Is very important for a high speed payment without cash.

- *Cash cards* – their holders to withdraw cash by cash dispensers. You must to open a current account and keep high average account balance. The cards can be used for payment.
- *Credit cards* – can be used as cash cards, for payments and withdraws of cash. You does not have to open a current account. Credit line is agreed with a bank. Once a month the card holder receives a statement with all payments. If the outstanding balance is paid by a certain date, no interest is charged (VISA, GOLD MASTER).