

ИНФОРМАЦИОННОЕ ПИСЬМО

Уважаемые коллеги!

Читинский институт

Байкальского государственного университета

Кафедра иностранных языков

приглашает вас принять участие в ежегодной олимпиаде
для школьников города Читы

«АНГЛОСФЕРА»

25 ноября 2017 года

Олимпиада предполагает участие учащихся 10-11 классов общеобразовательных учреждений города Читы, изучающих английский язык. В этом году тема конкурса **«Money and Banking»**.

КОНКУРСНЫЕ ЗАДАНИЯ:

1. **Домашнее задание.** Необходимо снять фильм, в котором должно быть показано свое понимание следующего высказывания “Money is an article, which may be used as a universal passport to everywhere except Heaven, and as a universal provider of everything but happiness”, George S. Clason (1874-1957). Продолжительность фильма - не более 5 минут. Фильм должен быть озвучен школьниками. Критерии оценки: информативность, фонетическое и грамматическое оформление речи, оригинальность. Фильм может быть отправлен по электронной почте либо передан в электронном виде на

кафедру иностранных языков, должен быть представлены на просмотр жюри до 17 ноября 2017 года.

2. Электронный тест и аудирование. Этот этап состоит из двух частей. Тест выполняется на компьютере каждым из участников. После прослушивания текста участникам также необходимо выполнить задание. Ответы по аудированию даются коллективно всей командой.

3. Ситуация – выступление (монолог, диалог) по предложенной теме. Тема будет предложена во время олимпиады. На подготовку отводится 15 минут. Общая продолжительность выступления – 5-7 минут.

Данное информационное письмо можно найти на сайте ЧИ БГУ (<http://www.narhoz-chita.ru>). Также предлагается дополнительный материал для подготовки.

Оформление заявки

Информацию об участии (заявку) в Олимпиаде по страноведению необходимо предоставить в оргкомитет до 10 ноября 2017 года. Все фамилии, имена, отчества пишутся полностью.

Заявки отправлять по адресам: flde@mail.ru,

richi73@mail.ru

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ЗАЯВКА

№ школы _____

Название команды _____

Фамилия, Имя, Отчество руководителя _____

Контактный телефон _____

E-mail _____

Список учащихся: (Фамилия, Имя)

1. _____

2. _____

3. _____

4. _____

5. _____

Команда от школы должна состоять из 5 человек. Победители Олимпиады награждаются дипломами и подарками. Все участники Олимпиады получают сертификат участника. Олимпиада проводится очно.

Встреча участников Олимпиады – 25 ноября 2017 года
в 10.30 в фойе главного корпуса по ул. Анохина, 56.

О любых изменениях будет сообщено дополнительно.

Убедительная просьба сообщить о согласии принять
участие в олимпиаде до 1 ноября.

С уважением,

Оргкомитет.

MONEY AND BANKING

Do you know?

The word *money* is derived from the Latin *moneta*, which was one of the names of Juno, the Roman goddess whose temple was used as a mint.

Notes:

goddess Juno – богиня Юнона

temple – храм

mint – монетный двор

TEXT 1: MONEY

Most of us use money every day. We see it, touch it, and spend it. But how many of us can define it adequately? Usually money is defined too narrowly. Some define it as the currency of a nation; others think of it in terms of legal tender; still others often refer to it as the medium of exchange. Such definitions, however, automatically exclude large portions of our money. To include all segments of our money supply, we must use a broad definition. Thus, we can say that money is anything that is commonly accepted in exchange for other goods and services.

Commodity money refers to the use of some commodity as money. Many commodities – such as stones, shells, various crops, metal, and paper – have served as money in various countries of the world. American history reveals that tobacco, corn, beads, warehouse receipts, and bank notes, in addition to metal coin and paper currency, have served as money. In fact, many of these monies were given the status of legal tender, which means that they were acceptable for the payment of debts, both public and private.

There are two basic types of modern money, each of considerable importance: token money and paper money. Token or metallic money consists of coins – a special type of commodity money in which a metal such as gold, silver, or copper is used. Paper money takes the form of bills and notes. It may or may not be backed by gold or silver. Although the United States has had various types of commodity money in its history, all American currency today is in the form of paper money and coins.

Every Nation Has Its Currency

Every nation has its own supply of currency. In all nations, currency is alike in four important ways. What are the four common features of currency?

1. Currency must be easy to carry and must take up little space. People must be able to carry it with them for everyday use.
2. Currency must be based on a system of units that are easy to multiply

and divide. That is, it should not take too long to figure out the number of coins and bills needed to exchange for any article.

3. Currency must be durable, or last a long time. It should not wear out too quickly or fall apart. People must be able to keep currency until they are ready to spend it.
4. Currency must be made in a standard form and be guaranteed by the nation's government. In this way, all people can be certain that their coins and bills will be accepted by everyone else in exchange for goods and services.

Vocabulary:

currency	валюта; средство обмена
commodity money	товарные деньги
beads	бисер, бусинки
warehouse receipt	товарная квитанция на груз, принятый на хранение
legal tender (banknotes)	законное платежное средство, официально принятое государством (банкноты)
token money	разменная монета
to back (paper money, currency)	поддерживать, обеспечивать (бумажные деньги, валюту)
alike	похожий, одинаковый
feature	признак, особенность
unit	единица (денежная)
to figure out	подсчитывать
durable	прочный, долговечный
to last	служить
to wear out	изнашиваться
to fall apart	распадаться (на части)

Comprehension questions:

1. How do people usually define money?
2. What is a broad definition of money?
3. What is commodity money?
4. What are two basic types of modern money?
5. What is token money?
6. What are the common features of currency?

Do you know?

Coinage was the invention of the Greeks. The Italians, Dutch, French and English were the developers of banks and certain banking. Paper money was the gift of Americans and Canadians to the Western world.

The prime exponent* of paper money in these years was Benjamin Franklin. He thought it a good and useful thing. He printed money for the colonial government on his own printing press.

*exponent – (зд.) ИЗГОТОВИТЕЛЬ

Task 1: Match the words to their definitions.

- | | |
|---------------------------|--|
| 1. cash | a) the money used in a particular country |
| 2. currency | b) money in the form of coins of low value |
| 3. change | c) a flat round piece of metal used as money |
| 4. note (BrE), bill (AmE) | d) a piece of paper money |
| 5. coin | e) money in the form of coins and notes |

Task 2: Match the sentence beginnings with the correct endings.

- | | |
|--|--|
| 1. After six months she'd saved enough money | a) so they never have anything to worry about |
| 2. I'm sure you'll earn enough money | b) so we can't afford new equipment this year. |
| 3. If you've never invested money before | c) to buy your own flat |
| 4. They make a lot of money, | d) to have her shop redecorated |
| 5. We are going to organise a concert | e) to raise money for the homeless |
| 6. We've spent a lot of money on advertising | f) why don't you ask your bank manager for advice? |

Task 3: Write down the verbs from Task 2 which often go with the word money. Make a few sentences of your own.

TE to to .save.. MONEY to to

to **Y AND ITS FUNCTIONS** to

All values in the economic system are measured in terms of money. Our goods and services are sold for money, and that money is in turn exchanged for other goods and services. Coins are adequate for small transactions, while paper notes are used for general business. There is additionally a wider sense of the word “money”, covering anything which is used as a means of exchange, whatever form it may take. Originally, a valuable metal (gold, silver or copper) served as a constant store of value. Because gold has been universally regarded as a very valuable metal, national currencies were for many years judged in terms of the so-called “gold standard”.

Nowadays however valuable metal has generally been replaced by paper notes. National currencies are considered to be as strong as the national economies which support them. Paper notes are issued by governments and authorized banks, and are known as “legal tender”. Other arrangements such as cheques and money orders are not legal tender. They perform the function of substitute money and are known as “instruments of credit”.

The value of money is basically its value as a medium of exchange, or, as economists put it, its “purchasing power”. This purchasing power is dependent on supply and demand. The demand for money is reckonable as the quantity needed to effect business transactions. An increase in business requires an increase in the amount of money coming into general circulation. But the demand for money is related not only to the quantity of business but also to the rapidity with which the business is done. The supply of money, on the other hand, is the actual amount in notes and coins available for business purposes. If too much money is available, its value decreases, and it does not buy as much as it did, say, five years earlier. This condition is known as “inflation”.

Vocabulary:

value	ценность
transaction	дело, сделка, операция
a means of exchange	средство обмена
a store of value	средство сохранения стоимости, средство сбережения
a constant store of value	постоянное накопление стоимости
store	запас
to issue	выпускать, пускать в обращение
to issue paper notes (securities)	выпускать бумажные деньги (ценные бумаги)
authorized	официально принятый, разрешенный, санкционированный
authorized banks (institutions)	банки (институты), наделенные определенными правами; уполномоченные банки
a money order	платежное поручение

substitute money instruments of credit	представитель платежных средств кредитные обязательства (векселя, чеки, облигации)
the value of money	стоимость денег
a medium of exchange	1 средство обмена, расчета 2 средство обращения (как функция денег)
purchasing power	покупательная способность
to reckon	подсчитывать, исчислять
to effect	осуществлять, совершать
to effect business transactions	осуществлять деловые сделки
circulation (of money, capital)	обращение (денег, капитала)
to come into general circulation	поступать в совокупное обращение
to put into circulation	пустить в обращение
the demand for money	спрос на деньги
the supply of money (money supply)	1 денежная масса, сумма денег в обращении, количество денег 2 предложение денег
the quantity of business	количество операций, объем бизнеса
the rapidity of business	скорость осуществления операций в бизнесе

Comprehension questions:

1. What is the role of money?
2. Why do you think valuable metal has been replaced by paper money? Who can issue paper notes?
3. What are money orders and what function do they perform?
4. What is purchasing power and what does it depend on?
5. How do we reckon the demand for money? What is the demand for money related to?
6. What is inflation?

Task 4:

Money has four functions. It serves as **a measure of value** (мера стоимости), as **a medium of exchange** (средство обращения), as **a store of value** (средство сохранения стоимости), and as **a standard of deferred payment** (средство погашения долга, средство платежа).

Below are series of transactions in which money plays a role. Next to each transaction, write the initials for the function of money that best describes the transaction. Use **MX** for medium of exchange, **MV** for measure of value, **SV** for store of value, and **SDP** for standard of deferred payment.

1. Joyce wants to buy a new coffee mug for \$5, but decides to wait until payday.
2. Ben bought two tickets for the movie.
3. Melissa promised to repay next month a loan Emily gave her.

4. Kyle was trying to decide whether to buy three candy bars for 50¢ each or one chocolate sundae for \$1.65.
5. Joanne purchased a new hat as a present for her sister.
6. Tyrone puts \$20 into his savings account. He hopes to save enough money to buy a new dirt bike.
7. Henry has to pay the bank \$187.50 a month for the next four years on his new car loan.
8. Kim decided to take the 75¢ bus ride rather than an \$8 cab ride.
9. At a recent auction, a lampshade went for \$150 while an antique player piano sold for \$1,200.
10. The manager of Apex Stores gave Maria her paycheck.
11. Alex always likes to keep a \$20 bill stashed away in his wallet for emergencies.
12. After accidentally breaking Mr. Wilson's store window, Dennis agreed to pay Mr. Wilson \$15 a month for the next 10 months.

Task 5: This is a list of proverbs and idioms characterizing people's attitude toward money. Which of them can be used to talk about a) dishonest people; b) big spenders?

1. Money has no smell.
2. To spend money like water.
3. Money doesn't grow on trees.
4. To marry money.
5. Black money.
6. Take care of the pence and the pounds will take care of themselves.

Task 6: Do you agree? Can you add anything?

What can money buy?

Money will buy:

A bed but not a sleep,

Books but not brains,

Food but not appetite,

Finery but not beauty,

A house but not a home,

Medicine but not health,

Luxuries but not culture,

Amusement but not happiness,

A crucifix but not a saviour.

Topics for Discussion:

1. What do people need money for?
2. Comment on the proverb: “Money spent on the brain is never spent in vain”.

TEXT 3: BANKING

Banking started when men began to trade. The first method of trade was barter – one article was exchanged for another. Then Greek travellers invented the letter of credit, as they didn't want to carry large sums of money with them on their sea journeys. The Italian merchants, the Lombards, introduced the bill of exchange, and set up small lending houses in many countries.

But banking as we know it today began in the 16th century in England with the goldsmiths. These craftsmen possessed strong rooms in which they kept their own gold, and they soon started looking after other people's valuables too. They found from experience that their depositors withdrew only a small proportion of the total sum of gold in their safes at any one time, and so they began to lend the bulk of their deposits to others. When a goldsmith received gold, he issued a signed receipt. People started accepting these receipts instead of the gold itself, and so they circulated from hand to hand. The exchange of receipts was obviously a more convenient method of paying debts than exchanging large quantities of gold. This method of payment gradually became generally accepted.

The business of banking grew rapidly. Thousands of people gave up their original trades in order to become bankers. They earned their living by lending money to others, and made profit by charging interest on the loans.

The liability for the debts of the business was unlimited, so if a banker had inadequate cash reserves when there was a run on the bank, he was unable to redeem his promises. This meant that he always kept a certain cash reserve which varied according to the size of his business and the confidence in the banker. Each banker issued his own notes.

This system of private bankers lasted until the middle of the 19th century. The Bank Charter Act of 1844 gave the Bank of England the monopoly of the note issue. However, banks that existed at that time retained the right to issue their own notes, but lost that right if they amalgamated. The cheque system was a direct development of the Act.

The development of joint stock banking, which also took place in the 19th century, represented another great change in banking. These banks had limited liability for their shareholders, and were often amalgamations of several of the old banks. This also led to the branch system, which enabled banks to keep a minimum cash reserve with the possibility of transferring money from branch to branch at a moment's notice.

Banks today are very different from the rudimentary lending houses of 400 years ago. This text discusses the history of banking only in England. However,

development of banking from its primitive beginning to its present technical perfection and wide range of services is similar in most European countries.

Vocabulary:

to trade	торговать
trade	торговля; ремесло; профессия
letter of credit	аккредитив
bill of exchange	вексель
to lend	давать займы
goldsmith	ювелир
strong	хорошо защищенный
valuables	ценности
to deposit	отдавать на хранение
to withdraw	забирать; изымать
to issue	выписывать; выпускать, пускать в обращение
receipt	расписка в получении
profit	прибыль, доход
to charge	взимать
interest	процент
loan	заем, ссуда
liability	ответственность
cash	наличные деньги
a run on the bank	массовое изъятие вкладов из банка, наплыв в банк требований о возврате вкладов
to redeem a promise	выполнить обещание/обязательство
to amalgamate	объединять
joint stock bank	акционерный банк
shareholder	акционер
branch	филиал
at a moment's notice	по первому требованию

Comprehension questions:

1. Who invented the letter of credit?
2. Who introduced the bill of exchange?
3. When did banking start?
4. What did the goldsmiths issue?
5. How does a bank earn a living?
6. Was the liability of a private banker for debts limited or unlimited?
7. How long did the system of private banking last?
8. When did the Bank of England get the monopoly of the note issue?
9. What is the main tendency of the development of banking now?

Task 7: Find the terms in the text which correspond to these definitions:

- a system of exchanging goods and services for other goods and services without using money
- an official letter from a bank allowing a particular person to take money from another bank
- someone who puts money in a bank or other financial organization
- someone who works in a bank in an important position
- someone who owns shares in a company or business

Task 8: Translate the sentences paying attention to the words in *italics*.

- A.**
1. I'd like to make *a deposit* into my savings account.
 2. You are advised *to deposit* your valuables in the hotel safe.
 3. The banks can earn interest by lending the money of their *depositors*.
- B.**
1. He took out *a loan* to buy a car.
 2. *A student loan* means money lent to a student to pay for university.
 3. Can you *loan* me \$ 50?
- C.**
1. The shop's daily *profit* is usually around \$ 600.
 2. Drug companies *make big profits*.
 3. Some industries, such as shipbuilding, *profited* from the war.
 4. Selling cars is a *profitable* business.
- D.**
1. Is it okay if I *pay* you what I owe you next week?
 2. Mum *paid* for my driving lessons.
 3. You'll get a discount for *paying* cash.
 4. *Payment* can be made by cheque or credit card.

TEXT 4: BANKS

Banks play a very important part in our daily lives; they serve both individuals and firms in a number of ways. They are concerned with the flow of money in and out of the economy. They often co-operate with the government by trying to stabilize the economy and control inflation. They specialize in providing capital and allocating funds on credit.

A bank's main function is to act as an intermediary. On the one hand, people deposit money in the bank. They ask the bank to place it in their accounts. On the other hand, the bank lends money to people who need it; both to individuals who need, say, \$50,000 and to firms which need \$5,000,000.

Depositors want their capital to earn interest and borrowers wish to obtain capital.

The bank is therefore a reservoir of loanable money, where the money flows continually in and out.

So, the bank collects small sums of money from its depositors, and places this money so that it yields the largest possible profit.

One of the ways a bank earns its living is by charging interest. When it lends money to a customer, it makes him repay a little more than he borrows. The difference between the sum lent and the sum repaid is called interest. The bank itself pays interest on the money the depositors place in their accounts with the bank; and it is by offering interest on their capital that the bank persuades the general public to deposit its money there. However, the interest customers pay on the money which the bank lends them is always higher than the interest which the bank pays its depositors. So the bank itself attempts to make a profit by lending its depositors' money.

A bank also performs a number of other services: it provides deposit boxes for its customers to put their valuables for safe keeping; it almost always has a night safe in which shopkeepers can place their day's takings after closing time.

A branch manager is always at his customers' disposal, not only to solve the financial problems, but also to advise them on what to do with their money, and to give them all the information they require. In fact, a good banker knows as much about people as about money.

Vocabulary:

flow of money	движение, поток денег
to provide capital	обеспечить капитал
to allocate funds on credit	распределять, размещать средства среди заемщиков
intermediary	посредник
account	счет
depositor	вкладчик
to earn interest	приносить доход
to borrow	занимать
borrower	заемщик
reservoir	резервуар, хранилище
to loan	ссужать, давать займы
loanable money	ссужаемые деньги
safe-keeping	хранение ценностей в (банковском сейфе)
takings	выручка

Comprehension questions:

1. What do banks specialize in?
2. What is the main function of a bank?
3. How does a bank earn its living?

4. What is interest?
5. How does a bank make a profit?
6. What other services does a bank perform?

Task 9: Match the two parts of the sentences.

- | | |
|--|---|
| 1. David keeps most of his money in the bank ... | a. on the lottery last year. |
| 2. He spent a lot of money on education ... | b. in my last job. |
| 3. My sister invested her money ... | c. to her brother. |
| 4. You waste too much money ... | d. but I can't pay you back today. |
| 5. It's difficult to save when ... | e. from her brother. |
| 6. I won a lot of money ... | f. and earns interest. |
| 7. I earned a lot of money ... | g. and now he is a qualified economist. |
| 8. I owe you some money ... | h. buying things you don't need. |
| 9. Lisa borrowed some money ... | i. everything is so expensive. |
| 10. Joanne lent some money ... | j. in the New York stock market. |

Task 10: Translate the sentences paying attention to the words in *italics*.

- A.**
1. The cat climbed up the tree and set on a *branch*.
 2. One *branch* of their family came from Germany to the USA in 1850.
 3. This *bank* has *branches* all over the country.
- B.**
1. *Mint* is used in preparing drinks and making chewing gums.
 2. In 1792 a *mint*, or special plant where coins are made, was established in Philadelphia.
 3. He made a *mint* of money in the insurance business.
- C.**
1. The Federal Reserve conducts the nation's monetary *policy*.
 2. Every person must have a health insurance *policy*.
- D.**
1. Can I borrow your lecture *notes*?
 2. She left a *note* for her parents when she went to the library.
 3. Paper *notes* are issued by governments and are known as legal tender.
- E.**
1. Travelling is one of his many *interests*.
 2. The *interest* on the loan is 16% per year.
- F.**
1. Barter, or *exchange* of one article for another, was the first method of trade.
 2. Money is a means of *exchange*.

3. The Italian merchants, the Lombards, introduced the bill of *exchange*.
 4. Barclays Bank has its shares on the New York Stock *Exchange*.
- G.
1. It was a dangerous situation and one of the sales clerks called *security*.
 2. Mr Johnson used his Brooklyn home as *security* for the loan.
 3. The bank provides all the information about a new issue of *securities*.

TEXT 5: ENGLISH BANKS

Today the British banking is a complicated tripartite system like a three-layer cake. The system is headed by the Bank of England.

This bank was established under a royal charter in 1694. The head of the Bank is Governor of the Bank appointed by the Queen on the recommendation of the Prime Minister. The Queen also appoints Deputy Governor and the Court of Directors, which consists of 16 directors.

The Bank of England is a central bank or a national bank. It controls the British banking system, issues banknotes and mints coins. It lends and borrows money for the government, manages the national debt and is in the control of the nation's gold reserve.

The other two layers are:

- the commercial or joint stock clearing banks
- specialized banking institutions such as the discount houses and merchant banks.

The commercial or joint-stock banks deal with the general public. The four large English commercial banks are known as the Big Four. They are Barclays, Lloyds, the Midland and the National Westminster. Together they have upwards of 10,000 branches. Commercial banks render various services to companies and individuals. Some of the services are:

- to receive or accept the deposit of money from their customers
- to collect and transfer money both at home and abroad against deposit and current accounts
- to provide overdrafts to both personal and business customers
- to lend loans to their customers
- to exchange money
- to supply economic information and to prepare economic reviews to be published
- to make foreign exchange transactions
- to issue various banker's cards

Merchant banks and discount houses deal only with special customers providing funds for special purposes. They accept commercial bills of exchange and offer quite a lot of financial services. They provide advisory services about new issues of securities, mergers, take-overs and reorganizations. They also arrange financing

for their customers and provide fund-management services. Besides there is a big group of banks in the United Kingdom made up of foreign banks. All the major foreign banks are represented in the UK by subsidiaries, branches, representative offices or consortia. They provide finance both in sterling and other currencies and offer a wide range of financial services. Lombard Street is the symbol of British banking. This is the place where the first bankers coming from Italy settled.

Vocabulary:

complicated	сложный
governor	управляющий
court of directors	совет директоров (в банке Англии)
board of directors	совет директоров (в др. банках, на фирмах)
national debt	государственный долг
clearing	клиринг, безналичные расчеты между банками
clearing bank	клиринговый банк
discount house	учетный дом (банк, специализирующийся на операциях на денежном рынке, включая учет векселей)
merchant bank	торговый банк
to render	оказывать, предоставлять
overdraft	кредит по текущему счету, овердрафт
bill of exchange	вексель
issue	эмиссия, выпуск
securities	ценные бумаги
merger	слияние
take-over	поглощение
subsidiary	дочерняя компания
consortium (pl.consortia)	консорциум

Comprehension questions:

1. What is the central bank of England?
2. What are its functions?
3. What other kinds of banks are there in the UK?
4. What British banks are known as the Big Four?
5. What services do commercial banks render?
6. What services do merchant banks and discount houses render?
7. Why is Lombard street the symbol of British banking?

Task 11: Match the following 'money words' to their definitions.

- | | |
|------------------|--|
| 1. an account | a. a plastic card that you use to buy goods |
| 2. an overdraft | b. a printed piece of paper that you use to pay for something instead of using money |
| 3. a loan | c. a sum of money that you borrow |
| 4. interest | d. an arrangement between a bank and a customer for the customer to pay in and take out money |
| 5. savings | e. an arrangement between a bank and a customer for the customer to take out more money than they have paid in |
| 6. a cheque | f. extra money paid to you by a bank when you keep money in an account there |
| 7. a credit card | g. money that you keep in a bank to use later |

Task 12 A.: Study the things you can do at the bank.

pay money into *your bank account* (=put money in)

withdraw money from *your bank account* (=take money out)

cash a cheque *BrE/check AmE* (=exchange it for cash)

check your balance (=find out how much money is in your bank account)

transfer money to *someone else's/your account* (=move money from your account to another account, either another one of yours or someone else's)

use an ATM/cash machine *BrE/cash dispenser AmE* (=put a card into a machine to obtain cash from your bank account)

arrange a loan (=ask a bank to lend you some money)

arrange an overdraft *BrE* (=make an arrangement with your bank to spend more money than you have in your account)

order foreign currency (=ask your bank to get you some foreign money)

B.: Translate the sentences into English using expressions from part A.

1. Если вы хотите снять деньги с вашего банковского счета, вы можете воспользоваться банкоматом.

2. Банк уже закрылся, и Анна не смогла получить наличные деньги по чеку.

3. Джон регулярно проверяет остаток на своем банковском счете.
4. Питер уезжает за границу на следующей неделе, поэтому он заказал иностранную валюту заранее. (in advance)
5. Мой брат попросил меня перевести \$500 на его счет и обещал вернуть через три месяца.
6. Клиенты банка могут оформить овердрафт и потратить больше денег, чем имеют на своем счете.

TEXT 6: THE FEDERAL RESERVE SYSTEM

The Federal Reserve System is the central banking system of the USA, set up by the Federal Government in 1913. On account of the vast area of the country and great difficulties of travelling at that time the country was divided into twelve Federal Reserve Districts, each with its own Federal Reserve Bank.

There are also twenty-five branches of the Federal Reserve Banks to serve particular areas within each district. The activities of the Federal Reserve Banks are coordinated through the Federal Reserve Board of Governors in Washington. Each member of the Board is appointed by the President, with the consent of the Senate, for a single 14-year term. The Board of Governors makes most of the major decisions for the Federal Reserve System and exercises general supervision over the Federal Reserve Banks.

The FR banks hold the reserves of the member banks. They supply the member banks with currency if necessary and act to them as lenders by rediscounting bills. The Board determines the reserve requirements and discount rates.

The Federal Reserve System, in collaboration with the Government of the USA, determines monetary policy and, aided by the FR Banks, carries it out.

Today the Federal Reserve duties fall into four general areas: (1) conducting the nation's monetary policy; (2) supervising and regulating banking institutions and protecting the credit rights of consumers; (3) maintaining the stability of the financial system and (4) providing certain financial services to the US government, the public, financial institutions and foreign official institutions.

All national banks must be members of the Federal Reserve System. Incorporated state banks including commercial banks, mutual savings banks, trust companies and industrial banks may also join the System.

Incorporated state banks are those which have a charter from the state to act as an individual.

Mutual savings banks are savings banks owned by their depositors. Industrial banks make loans for the purchase or manufacture of industrial products.

Vocabulary:

to set up	создавать, основывать
district	округ
to exercise	осуществлять
supervision	надзор
to rediscount	переучитывать (векселя)
rate	ставка
discount rate	учетная ставка
collaboration	сотрудничество
monetary policy	денежно-кредитная политика
to maintain	поддерживать, сохранять
mutual savings bank	взаимно-сберегательный банк

Comprehension questions:

1. When was the Federal Reserve System set up?
2. How many FR banks and branches are there?
3. What is the most important function of the Board of Governors?
4. What are the duties of the Federal Reserve System?
5. What banks are the members of the System?
6. What is an incorporated state bank?
7. What is a mutual savings bank?
8. What is an industrial bank?

Task 13: Study the map and answer the questions that follow.



1. How many Federal Reserve districts are there?
2. Where does the Board of Governors sit?
3. Name the Federal Reserve Bank city in the following districts.

District 8 _____

District 5 _____

District 2 _____

District 11 _____

District 9 _____

4. Why do you suppose there is such a huge difference in the size of certain districts?

Task 14: Read the text and answer the following questions:

1. What does the expression "The Federal Reserve wears a number of hats" mean ?
2. What functions of the Federal Reserve are mentioned in the text?
3. What does the statement - "the Federal Reserve serves as the government's bank" - mean ?

THE FEDERAL RESERVE

As the nation's central bank, the Federal Reserve wears a number of hats; that is, it does several quite different and important jobs:

- * Provides bank-like services including collecting checks, wiring money, securities and information, and supplying cash
- * Serves as the government's bank
- * Supervises depository institutions
- * Makes loans
- * Serves the consumer and the community
- * Manages the nation's money supply

Vocabulary

to collect checks

- инкассировать чеки

to wire money

- передавать деньги электронным путем

TEXT 7: KINDS OF BANKS IN THE USA

There are two main kinds of banks in the United States, savings banks and commercial banks. In the past, savings banks sought small, interest-paying accounts. Commercial banks stressed checking accounts. Today, however, the difference between these banks is not as great.

The **savings bank** puts the deposits of most of its customers into savings account. In the 1970's, many savings banks also began to offer checking services to their customers. Savings banks make loans to individuals, primarily to people buying houses.

The **commercial bank** puts the deposits of most of its customers into checking

accounts. Most commercial banks also have savings departments. Many have trust departments that help customers manage property and invest money. Commercial banks make loans to businesses and individuals.

The money depositors put in a checking account is called a **demand deposit**. That is, the account is payable on demand. This means that the bank must give depositors their money back any time the depositors request it by writing a check.

The money depositors put in a savings account is called a **time deposit**. Depositors may be required to give the bank advance notice when they wish to withdraw their money. Most banks do not require advance notice of withdrawals from regular savings accounts. However, on certain types of time deposits, which pay higher interest rates, money may be withdrawn only at the end of a 90-day period. In some cases it must stay in the account from two to six years.

From long experience, banks have found that only a certain number of depositors will want their money at any one time. This is why the law requires that only a small percentage (such as 16 percent) of the deposits must be kept on reserve. The banks can earn interest by lending the rest.

Vocabulary:

savings bank	сберегательный банк
saving account	сберегательный счет
checking account (AmE) =	текущий счет
current account (BrE)	
trust department	трастовый отдел по работе с клиентами
demand deposit	вклад до востребования
payable on demand	подлежащий оплате немедленно по предъявлении
to request	запрашивать
time deposit	срочный вклад
advance notice	заблаговременное уведомление
to withdraw	брать, забирать, изымать

Comprehension questions:

1. What is the main function of a savings bank?
2. What is the main function of a commercial bank?
3. What is a demand deposit?
4. What is a time deposit?
5. What percentage of the deposits must be kept on reserve?

Task 15: Match the words to their definitions.

- | | |
|-----------------|---|
| 1. banking | a. a bank where people can save small amounts of money and receive interest on it |
| 2. bank account | b. an account that a customer has with a bank |

- | | |
|---------------------|--|
| 3. savings bank | c. a bank account for saving money over a long period of time, usually with higher interest than an ordinary deposit account |
| 4. savings account | d. a bank account that you can take money out of at any time |
| 5. checking account | e. the business activity of banks and similar institutions |

Task 16: Translate the sentences paying attention to the collocations with the word “account”.

1. She used her first pay check *to open an account*.
2. They were unhappy with service at the bank and *closed* their *account* there.
3. 80% of people have *held an account* (=had one) with the same bank for five years or more.
4. My salary is paid into my *bank account*.
5. Before the stock market existed here, the only way for people to manage their money was to put it in *a deposit account*.
6. My husband and I have *a joint account*.
7. Your clearing bank will be able to transfer cash directly to and from your *current account*.
8. Most *savings accounts* pay higher interest on larger balances.
9. It's better to transfer large amounts of money out of your *checking account*.

SUPPLEMENTARY READING

TEXT 1: WHAT IS MONEY?

At various times and in various places, people have used many different things for money. Cows, pigs, guns, playing cards, furs, salt, olive oil, big stones, knives, tobacco, copper, iron, wampum beads, shells, rings, silver, and diamonds have all been used for money.

During World War II, American soldiers in Europe used chocolate bars for money. They used chocolate because in several nations the official paper money was worthless. Chocolate bars were valuable because people wanted chocolate and would accept it in payment for goods and services.

The use of chocolate bars for money helps you understand what money really is. **Money** is something sellers will take in exchange for whatever they have to sell. Buyers can exchange it for whatever they want to buy. Money is a medium, or means, of exchange.

To a banker, the term “money” may include checks, bank accounts, and other kinds of writing on pieces of paper. For now, think about the “jingling money” and “folding money” that people carry in their pockets or purses. Another name used for these kinds of money is **currency**.

Paper bills and coins do not get their value as means of exchange just because the government prints them or stamps them out of metal. Money in these forms has value only because it will buy something. For a nation’s currency to be worth something, the nation’s economy must produce something for its people to buy.

The currency used by Americans is issued, or made, by the federal government. All United States paper money and coins are considered **legal tender**. That is, the law requires that every American accept this money as payment in exchange for all goods and services.

United States Coins and Paper Money

You may recall that one of the weaknesses of the nation under the Articles of Confederation was the lack of a standard currency. The Constitution solved this weakness by granting to Congress the sole right “to coin money, regulating the value thereof ...” In 1792 a **mint**, or special plant where coins are made, was established in Philadelphia. There is now one other mint in Denver and an Assay Office, which also manufactures coins, in San Francisco.

Coins are sometimes called “hard money” because they are usually made of hard metal. In the United States, five coins are used: pennies, nickels, dimes, quarter, and half dollars. These coins are parts of one dollar. Dollar coins have not been made since 1981.

For many years, the value of a coin was decided by the amount of metal it contained. In the past, many Americans would accept only hard money. They

thought it was more valuable and reliable than paper money.

Today only about 1 percent of the total money supply is in coins. Coins are used mainly for small purchases or for making change. There is no gold or silver in today's coins. All coins are now made of an alloy, or mixture, of 75 percent copper and 25 percent nickel.

Most of the money issued by the government today is paper money. It is printed in Washington, D.C., at the Bureau of Engraving and Printing of the Treasury Department.

From the Civics

TEXT 2: GEORGE MCLAIN GETS A BANK LOAN

What really happens when a person borrows money from a bank? Consider the example of George McClain, a young man who owns and operates a gas station. George needs \$5,000 to purchase some new equipment. He goes to a commercial bank and asks to speak to one of the bank's officers. The bank official listens to George and tells him that the bank will probably make the loan. George must show that he is a good credit risk.

George then brings in his business records. They show that his gas station is a profitable business. He also points out that he owns his home, a car, and a boat and that he has no large business debts. All this convinces the bank that George McClain will be able to repay the loan when it is due. The bank then agrees to make the loan and to consider George's houses as the collateral, or guarantee, for the loan.

Many loans made by commercial banks are short-term loans. They are to be back in 30, 60, or 90 days. George McClain receives a short-term loan of \$5,000, due in 90 days. However, he does not receive any currency or even a check. What he gets is a credit in his checking account.

George does not get the full \$5,000 credit. The bank takes out, say, \$100 in advance as the interest it is charging for the loan. George receives a credit of \$4,900 in his checking account. Taking out, or deducting, the interest on a loan in advance is referred to as discounting.

After he receives his loan, George McClain buys his new equipment. He pays for it by check. George begins to take in more money because his gas station can now offer better service.

The equipment company, richer now by George's credit, uses the money to expand its business. In fact, with George's check and the checks of other customers coming in, the equipment company may borrow money from a commercial bank for its own expansion. In this way, credit circulates, or moves around, and grows throughout the American economy. Each transaction makes possible other transactions.

George McClain Renews His Loan

What happens when the loan is due at the end of the 90-day period? If George

McClain's business has done well enough, he can now repay the loan. But suppose the new equipment was late in arriving, or business did not increase quite as fast as expected. George may have to go to the bank and ask that his loan be renewed, or continued. Then he will not have to repay the loan for another 90 days.

Usually a bank will renew a loan to a person like George McClain, whose credit is good. George, of course, will have to pay interest again on the loan renewal.

Suppose, however, that bank officials think George has not done a good job managing his business with the new equipment. They may decide he is no longer a good risk and may refuse to renew the loan. George must then find some way to repay the loan at once. In order to save his house, which is the collateral for his loan, he may have to sell his car and boat. He may even have to sell his business. As you can see, a loan involves a risk both for the bank and for the person who borrows the money.

From the Civics

TEXT 3: THE CENTRAL BANK OF THE RUSSIAN FEDERATION

The Central Bank of the Russian Federation (Bank of Russia) was founded on July 13, 1990, on the basis of the Russian Republic Bank of the State Bank of the USSR. Accountable to the Supreme Soviet of the RSFSR, it was originally called the State Bank of the RSFSR.

On December 2, 1990, the Supreme Soviet of the RSFSR passed the Law on the Central Bank of the RSFSR (Bank of Russia), which declared the Bank of Russia a legal entity and the main bank of the RSFSR, accountable to the Supreme Soviet of the RSFSR. The law specified the functions of the bank in organizing money circulation, monetary regulation, foreign economic activity and regulation of the activities of joint-stock and co-operative banks.

On December 20, 1991, the State Bank of the USSR was disbanded and all its assets, liability and property in the RSFSR were transferred to the Central Bank of the RSFSR (Bank of Russia), which several months later was renamed the Central Bank of the Russian Federation (Bank of Russia).

The Central Bank is the main governmental bank in Russia. It has many responsibilities.

It is the government's bank. It handles the income and expenditure of the Exchequer and other government departments.

It is the banker's bank. The clearing banks maintain accounts at the central bank. The final cash settlements within the banking system and between the Central Bank take place through these accounts.

It is the central note-issuing authority for Russia.

It manages the national debt. The management of the national debt has important effects on the supply of money and the rate of interest.

It is the lender of last resort. The Central Bank assists the banking system in time when it is threatened by a shortage of cash.

It acts as the government's agent in the foreign exchange market, in which it can

intervene in order to influence the value of ruble against other currencies. It has the responsibility for carrying out the government's monetary policy. It has got legal powers to supervise the operations of other banks in Russia.

TEXT 4: BANK OF ENGLAND

The Bank of England is Britain's central bank. It looks after the nation's money, and its work has a direct influence on many aspects of everyday life. Since 1946 the Bank has been publicly owned.

The first step towards central banking was taken with the creation of the Bank of England in 1694, when the Government of the day needed money to pay for the war against France. William Paterson, a Scottish merchant suggested founding a bank which could then lend its capital to the Government. In the spring of 1694, Parliament gave its approval to an Act which provided for the setting up of a company under the title of "The Governor and Company of the Bank of England". The public were invited to invest in the company and £1,200,000 was very quickly subscribed to what became known as Bank of England Stock.

The Bank was granted a Royal Charter on 27 July 1694 and Sir John Houblon was appointed the first Governor. It opened its books for business in the Mercers' Hall, Cheapside, with a staff of 19. The first notes to bear the name of the Bank of England appeared within a few months of its foundation.

The Bank moved to its present site in Threadneedle Street in 1734.

Probably the best known function of the Bank of England is to design, print and issue banknotes in England and Wales, and to store gold in its vaults on behalf of its customers. It does however, have many other responsibilities and functions.

Many of these arose from the Bank's historical development rather than by design. As the Bank gradually withdrew from commercial banking, it extended its role as banker to other banks and to the Government. As the Government's banker, the Bank now acts for the Treasury in raising finances and managing the government debt.

Monetary policy is directed by the Bank and the Treasury within the policy framework agreed with the Government. The bank cannot act independently of Government, but it plays an important role as adviser on policy and is closely involved in key decisions. Monetary policy operates in the UK mainly through short-term interest rates which are influenced through the Bank of England's daily operations in the money markets.

One of the Bank of England's most important tasks in maintaining a sound financial system is the supervision of banks operating in the UK, in order to protect depositors.

From the Bank of England booklet

TEXT 5: BARCLAYS BANK

Today, Barclays is one of the most powerful financial groups in the world. But its origins can be traced back to a much more modest business, founded more than 300

years ago in premises close to the Group's global headquarters in the heart of London's financial district.

In the late 17th century, the streets of the City of London may not have been paved with gold. But they were filled with goldsmith-bankers, who provided monarchs and merchants with the money they needed to fund their ventures around the world. One such business was founded by John Freame and his partner Thomas Gould in Lombard Street, London, in 1690. The name Barclay became associated with the company in 1736, when James Barclay – who had married John Freame's daughter – became a partner.

The goldsmith bankers did not try to extend their business outside London. However, they did hold accounts for country merchants, some of whom provided banking services for neighbours whose businesses were too small to justify maintaining a London account. These merchants became Britain's country bankers.

A new joint-stock bank

Private banking businesses of this kind were commonplace in the 18th century, keeping their clients' gold deposits secure and lending to credit-worthy merchants. By the 1890s there were some 100 private banks. In 1896, 20 of these companies came together to form a new joint-stock bank. The leading partners of the new bank, which was named Barclay and Company, were already connected by a web of family, business and religious relationships. The company became known as the Quaker Bank, because this was the family tradition of the founding families.

Domestic growth

The new bank had 182 branches, mainly in the East and South East, and deposits of 26 million – a substantial sum of money in those days. It expanded its branch network rapidly by taking over other banks, including Bolithos in Cornwall and the South West in 1905 and United Counties Bank in the Midlands in 1916.

In 1918 the company – now Barclays Bank Limited – amalgamated with the London, Provincial and South Western Bank to become one of the UK's 'big five' banks. By 1926 the bank had 1,837 outlets in its own name and that of subsidiary banks, like the Union Bank of Manchester, which was administered separately until 1940.

The last major domestic acquisition was Martins Bank in 1969, the last major UK bank to have its head office outside London. Martins was itself the product of an amalgamation in 1918 between a London clearing bank and the Bank of Liverpool, founded in 1831.

International growth

The development of today's global business began in 1925, with the merger of three banks in which Barclays held shares: the Colonial Bank, the Anglo Egyptian Bank and the National Bank of South Africa. The new Barclays Bank (Dominion, Colonial and Overseas) had businesses in much of Africa, the Middle East and the West Indies. Its name changed to Barclays Bank DCO in 1954, in response to changed economic and political conditions. Meanwhile, in 1981, Barclays became

the first foreign bank to file with the Securities and Exchange Commission in Washington and raise long-term capital on the New York market. In August 1986 Barclays became the first British bank to have its shares listed on the Tokyo Stock Exchange and in September 1986 to be listed on the New York Exchange.

Today's Barclays

Today's Barclays has tremendous global strength and a reputation for being first with innovative products and services. As for 20 April 2010, Group staff numbers world wide were 144,000.

Today, Barclays has five business groupings that are managed as international businesses, reflecting changing customer needs and the developments taking place in global financial services. These business groupings are Retail Financial Services; Barclaycard; Corporate Banking; Barclays Capital; and Barclays Global Investors.

The Barclays Group is committed to the constant evolution of its business, so that it can meet the challenges of the modern financial services industry. It will continue to innovate, identifying ways not just to meet but to exceed customers' expectations.

From the Barclays Bank booklet