

Module 2: Banking and Finance Essentials | Unit 2: Commercial and investment banking

Lead in

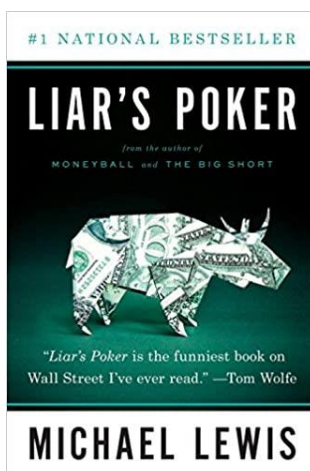
- What services would you expect a retail or commercial bank to offer?
- What is the difference between retail banking and investment banking?
- How do commercial banks make money?

STUDY TIP

Take a moment to think about these questions and write your answers on a piece of paper. It's excellent practice.

Reading: Commercial and investment banking

- 1) *Liar's Poker* is Michael Lewis's very funny book about working as an investment banker in New York and London. In this extract, he explains why he didn't want to become a commercial or retail banker. Read the text and explain in your own words what Lewis is saying about: a) commercial bankers and b) investment bankers



...in 1934, American lawmakers had stripped investment banking out from commercial banking. Investment bankers now underwrote securities, such as stocks and bonds. Commercial bankers, like Citibank, took deposits, and made loans...

After Glass-Steagall most people became investment bankers. Now I didn't actually know any commercial bankers, but a commercial banker was reputed to be just an ordinary American businessman with ordinary American ambitions. He lent a few hundred million dollars each day to South American countries. But really, he meant no harm. He was only doing what he was told to do by someone higher up in an endless chain of command... He had a wife, a station wagon, 2.2 children, and a dog that brought him slippers when he returned home from work at six...

An investment banker was a breed apart, a member of a master race of deal makers. He possessed vast, almost unimaginable, talent and ambition. If he had a dog, it snarled. He had two little red sports cars yet wanted four. To get them, he was, for a man in a suit, surprisingly willing to cause trouble.

- 2) Find words or phrases in the text that mean the following:

- | | |
|---|--|
| 1. to separate | 4. a big hierarchy of directors and managers |
| 2. generally considered to be | 5. special; different from other people |
| 3. didn't want to cause trouble to other people | 6. extremely big |

- 3) "He lent a few hundred million dollars each day to South American countries." This is an exaggeration. What other exaggerations or jokes can you find in the text?

- 4) What area would you prefer to work in / commercial banking or investment banking? Why?

KEY:

2) 1 strip down; 2 reputed; 3 meant no harm; 4 an endless chain of command; 5 a breed apart; 6 vast

source:

English for the Financial Sector (I. Mackenzie; Cambridge University Press; 2008)